



Consolidated
Financial
Statements

2020



AQUAFIL 
synthetic fibres and polymers



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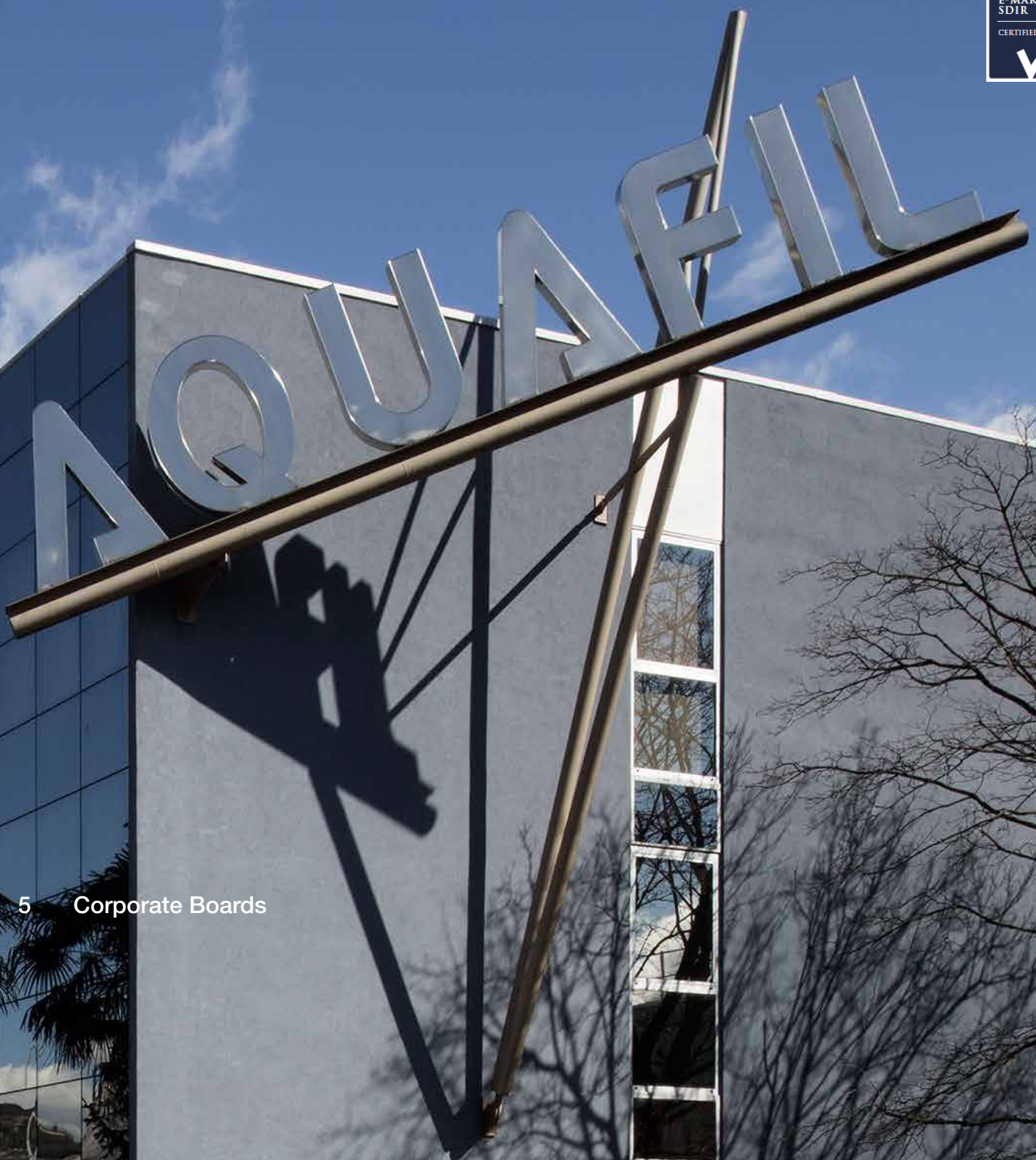
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5 Corporate Boards



Corporate Boards

Board of Directors

GIULIO BONAZZI	Chairman & Chief Executive Officer
ADRIANO VIVALDI	Executive Director
FABRIZIO CALENTI	Executive Director
FRANCO ROSSI	Director
SILVANA BONAZZI	Director (*)
SIMONA HEIDEMPERGHER	Director (*) (**) (***)
MARGHERITA ZAMBON	Director (*) (**)
FRANCESCO PROFUMO	Director (*) (**)
ILARIA MARIA DALLA RIVA	Director (*) (**)

(*) Non-executive director.

(**) Director declaring independence in accordance with Article 147-ter of the CFA and Article 3 of the Self-Governance Code.

(***) Lead Independent Director.

Control and Risks Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
ILARIA MARIA DALLA RIVA	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
MARGHERITA ZAMBON	Member
ILARIA MARIA DALLA RIVA	Member

Supervisory Board

FABIO EGIDI	Chairperson
KARIM TONELLI	Internal member
MARCO SARGENTI	External member

Board of Statutory Auditors

STEFANO POGGI LONGOSTREVI	Chairperson
BETTINA SOLIMANDO	Statutory Auditor
FABIO BUTTIGNON	Statutory Auditor

Independent Audit Firm

PRICEWATERHOUSECOOPERS S.p.A. – Trento (Italia), Via della Costituzione 33



9 Directors' Report on the 2020
Separate and Consolidated Financial Statements
of Aquafil S.p.A.

2020 Directors' Report

Dear Shareholders,

the separate financial statements, which we submit for your review and approval, present in the 2020 Income Statement "Total revenues" of Euro 429.3 million and a net profit of Euro 0.7 million, after current and deferred taxes for a net total of Euro 0.9 million.

The Board of Directors of the parent company Aquafil S.p.A., in accordance with the accounting rules, prepared also the Aquafil Group financial statements for 2020, which present "Total revenues" of Euro 436.6 million and a Group net profit of Euro 0.6 million.

Both financial statements were prepared in accordance with international accounting standards issued by the International Accounting Standards Board (IASB), endorsed by the European Union as required by Regulation No. 1606/2002 issued by the European Parliament and European Council and adopted with Legislative Decree No. 38/2005.

1. INTRODUCTION

The Parent Company Aquafil S.p.A. availed of the option contained in Legislative Decree 32/2007 which permits companies which must prepare consolidated financial statements to present a single Directors' Report for the separate and consolidated financial statements and therefore greater attention was focused in the Report, where appropriate, on the most significant matters concerning the companies included in the consolidation scope.

This Directors' Report in addition contains the disclosure required by Legislative Decree 254/2016, enacting directive 2014/95/EC concerning the communication of non-financial disclosure.

2. CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

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Telephone: +39 0464 581111- Fax: +39 0464 532267

Certified e-mail: pec.aquafil@aquafil.legalmail.it

E-mail: info@aquafil.com

Website: www.aquafil.com

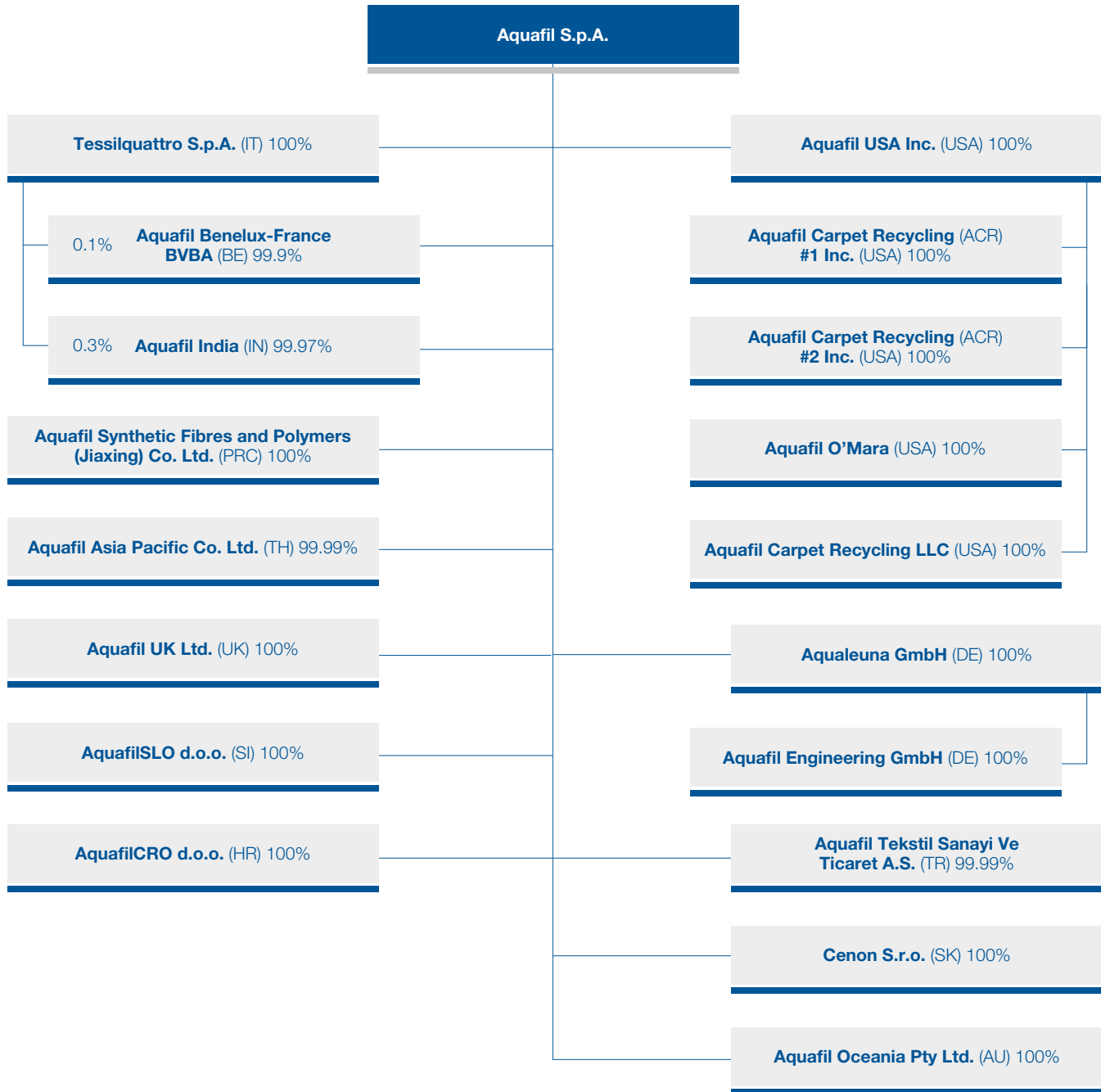
Share capital (at the approval date of the financial statements at 31.12.2020):

- Approved: 50,676,034.18
- Subscribed: 49,722,417.28
- Paid in: 49,722,417.28

Tax and VAT number: IT 09652170961

Trento Economic & Administrative Registration No. 228169

3. CONSOLIDATION SCOPE



The Group is composed of 19 companies, 18 of which are consolidated on a line-by-line basis as a result of direct or indirect control by Aquafil S.p.A.; production is carried out in 17 plants located in Europe, the United States, Asia and Oceania.

The only significant change in consolidated companies for the Aquafil Group during the year concerned the acquisition, in December 2020, of the business unit of A-1 Plan Recycling Inc. by the newco Aquafil Carpet Recycling LLC created by Aquafil USA Inc.

4. SIGNIFICANT EVENTS IN 2020

Covid-19 Emergency

The Covid-19 pandemic has led to a global health emergency starting from the early months of 2020, which to date has not yet concluded and to which the various countries, albeit with differences in the measures adopted, have responded by closing commercial, manufacturing and service activities considered as not strictly essential, in order to stem the outbreak. The impact on the world economy was immediate and widespread, causing a deep economic crisis. At the end of 2020 and in these initial months of 2021, the health and economic picture appears rather contrasting between Asia, Europe and the United States: on the one hand, China, India and Japan have seen a drastic reduction in infections and a full recovery of economic activity, while, on the contrary, the United States and Europe have faced a resurgence of the virus and a new slowdown in GDP in the last quarter of the year, after a momentary pick-up in the third quarter.

The health emergency led to a significant worsening of the general economic environment, with effects on both demand and the prices of raw materials, as well as a possible deterioration in the solvency of counterparties. From the first signs of the Covid-19 emergency in China in January 2020, the Group reacted promptly by adopting numerous and effective organisational measures to safeguard the health of its employees, the operations of its production sites and the continuity of procurement from suppliers and shipments to customers, as well as safeguarding against financial risks, in full compliance with the regulations of the various countries in which the Group operates and with safety conditions. Among the many organisational initiatives introduced to deal with the crisis is remote working: since the earliest stages of the crisis, more than 80% of the Group's Italian and international personnel have been encouraged to work remotely from home or elsewhere. The company has supported its employees by providing appropriate technology and specific training, and this has enabled a significant reduction in exposure to many of the known risk factors, while also maintaining excellent levels of service. Once the most critical phase of the emergency was over, the Aquafil Group allowed its personnel a gradual and carefully managed return to their respective workplaces, where national containment measures permitted. All the steps required by the regulations and protocols of Phase Two were taken to allow employees access to their offices, while remote working remained an option. The Group carefully managed those employees working at production sites, adopting all the appropriate safety and organisational measures to guarantee social distancing and the restructuring of logistical, operational, prevention and protection activities. This was achieved through training and awareness-raising, personal protective equipment, personal hygiene measures, workplace cleaning and sanitisation, specific procedures for the use of communal services, separate routes through facilities, careful management of supplier relationships and access to facilities, and compliance with regional regulations for cross-border supply chains. All these measures were adopted as indicated by the Competent Authorities, and in close collaboration with Trade Union organisations. A task force was immediately set up at the highest level of the Group. From the very beginning of the crisis, the Group's top management collaborated with health experts in daily meetings to assess the situation, share updates, consider daily priorities and respond promptly to emerging needs. A single regulatory document was drawn up and shared on the Group's Intranet to provide integration and synergy across all the countries in which the Group operates. The document is constantly updated and brings together the prevention and protection measures required at the Group's facilities. As testament to the efficacy of the measures adopted by the Group, no case of employee infection was recorded at the Group's sites for the entire duration of the health crisis. The numerous checks carried out on the Group's workplaces by the competent authorities were also consistently positive. In order to offset the reduced revenues across the three continents, the Group companies made use of available social security schemes and instruments provided by national governments. Specifically:

- Italia: Aquafil S.p.A. and Tessilquattro S.p.A. made use of the "Covid-19" Extraordinary Temporary Lay-Off Scheme for wage subsidies following the suspension or reduction of work;
- Slovenia: AquafilSLO d.o.o. made recourse to the extraordinary salary supplement expressly authorised for the Covid-19 health emergency ("Začasno čakanje na delo");
- China: Aquafil Synthetic Fibres and Polymers Jiaxing Co. Ltd. obtained business and work support contributions;
- USA: Aquafil USA Inc., Aquafil O'Mara Inc. and the Aquafil Carpet Recycling companies obtained non-repayable corporate financing in support of business and employment (so-called: "PPP Loan");
- Great Britain: Aquafil UK Ltd. benefited from an extraordinary wage supplement for the Covid-19 health emergency (Furlough).

In accordance with Consob and ESMA dictates, the Group has conducted in-depth analyses on the most sensitive issues and those most subject to variability related to the present emergency situation. Particular attention has been paid to maintaining the value of assets and goodwill, to the effectiveness of existing hedging transactions and to assessing the recoverability of receivables, with credit risk at the date of this report remaining under control, albeit in the presence of reductions in insurance ceilings by credit insurance companies.

The impact from COVID-19 penalized the Group's EBITDA in 2020 compared with the previous year (-16% or approx. Euro 11 million), largely due to the contraction in sales volumes compared with sales expectations. As already mentioned, there was no significant impact in terms of impairment of receivables or other assets. Further details are provided in the following paragraphs. There has also been no impact on financial items, with available liquidity at year end posting a marked improvement in net financial position by way of careful management of both net working capital and investments. By carefully monitoring the situation, the Group has maintained a solid financial profile and can rely on significant liquidity reserves to support both current operations and plans for business development, which remain essentially unaltered by the ongoing health crisis.

Therefore, on the whole, while the pandemic has certainly had an impact on Group performance, which is lower than that of the previous year, performance is, nonetheless, essentially in line with year-end forecasts, which were revised during the year in response to the emerging health crisis.

Despite this decrease, the Group's fundamentals remain solid with no significant uncertainties in relation to either the recoverability of assets or the assumption of going concern, which remains confirmed based on forecasts for the next two financial years as recently approved by the board of directors, which confirm the Group's business model that has been able to face this challenging year.

Acquisition of Planet Recycling Inc.

The acquisition of the business unit of A-1 Plan Recycling Inc. by the newco Aquafil Carpet Recycling LLC created by Aquafil USA Inc. was completed on December 15, 2020.

The business unit acquired recovers annually about 10 thousand tons of post-consumer carpets and mats, a part of which, after appropriate disassembly of the individual components, will be used to support the ECONYL® regeneration process in the subsidiaries ACR #1 Inc. and ACR #2 Inc. and a part (polypropylene and calcium carbonate) of which will be allocated to the respective industries for reuse in injection moulding and cement factories.

5. AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

5.1 DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

Gross operating profit (EBITDA)

This is an alternative performance indicator not defined under IFRS but used by company management to monitor and assess the operating performance as not impacted by the effects of differing criteria in determining taxable income, the amount and types of capital employed, in addition to the amortisation and depreciation policies. This indicator is defined by the Aquafil Group as the net result for the year adjusted by the following components:

- (i) income taxes;
- (ii) investment income and charges;
- (iii) amortisation, depreciation and write-downs of tangible and intangible assets;
- (iv) provisions & write-downs;
- (v) financial income and charges;
- (vi) non-recurring components.

Adjusted EBIT

Calculated as EBITDA, to which the accounts “amortisation, depreciation and write-downs” and “provisions and write-downs” are added. Adjusted EBIT differs from EBIT in terms of the non-recurring components and other charges, as specified in the notes to the “Parent Company Key Financial Highlights” table.

Net Financial Position

This was calculated as per Consob Communication of July 28, 2006 and the ESMA/2013/319 Recommendations:

- A. Cash
- B. Other liquid assets
- C. Other current financial assets
- D. Liquidity (A + B + C)**
- E. Current financial receivables
- F. Current bank payables
- G. Current portion of non-current debt
- H. Other current financial payables
- I. Current financial debt (F + G + H)**
- J. Net current financial debt (I - D - E)**
- K. Non-current bank payables
- L. Bonds issued
- M. Other non-current payables
- N. Non-current financial debt (K + L + M)**
- O. Net financial debt (J + N)**

5.2 KEY GROUP FINANCIAL HIGHLIGHTS

(in Euro thousands)	At December 31, 2020	At December 31, 2019
Net profit for the year	595	9,005
Income taxes	(517)	1,519
Amortisation, depreciation and write-downs	43,600	37,765
Provisions & write-downs	978	555
Financial items (*)	8,297	10,108
Non-recurring items (**)	5,402	10,457
EBITDA	58,356	69,408
Revenues	436,602	548,955
EBITDA Margin	13.4%	12.6%

(in Euro thousands)	At December 31, 2020	At December 31, 2019
EBITDA	58,356	69,408
Amortisation, depreciation and write-downs	(43,600)	(37,765)
Provisions & write-downs	(978)	(555)
Adjusted EBIT	13,778	31,088
Revenues	436,602	548,955
Adjusted EBIT margin	3.2%	5.7%

(*) Comprises: (i) financial income for Euro 0.4 million, (ii) interest expense on loans and other bank charges for Euro -8.0 million, (iii) customer cash discounts for Euro -2.5 million and (iv) exchange gains for Euro 1.8 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.4 million; (ii) non-recurring costs and revenue for ECONYL® development for a net cost of Euro 2.4 million; (iii) restructuring charges of Euro 2.1 million and (iv) other non-recurring costs and revenue for a net cost of Euro 0.5 million. Reference should be made to paragraph 8.14 of the notes to the consolidated financial statements.

For an analysis of the highlights indicated above, reference should be made to paragraph 7 below “Group operating performance”.

5.3 KEY GROUP BALANCE SHEET AND FINANCIAL INDICATORS

(in Euro thousands)	At December 31, 2020	At December 31, 2019
Consolidated Shareholders' Equity	126,897	142,336
Net Financial Position	218,736	249,580
NFP/EBITDA	3.748%	3.596%

The comments on the movements in the Net Financial Position are reported in paragraph 9 “Group balance sheet and financial position” paragraph.

5.4 PARENT COMPANY AQUAFIL S.P.A. KEY FINANCIAL HIGHLIGHTS

(in Euro thousands)	At December 31, 2020	At December 31, 2019
Net profit for the year	694	2,950
Income taxes	(888)	1,110
Investment income and charges	(5,685)	3
Amortisation, depreciation and write-downs	9,151	8,381
Provisions & write-downs	43	50
Financial items (*)	8,257	6,007
Non-recurring items (**)	996	1,555
EBITDA	12,567	20,057
Revenues	429,254	548,589
EBITDA Margin	2.9%	3.7%

(in Euro thousands)	At December 31, 2020	At December 31, 2019
EBITDA	12,567	20,057
Amortisation, depreciation and write-downs	(9,151)	(8,381)
Provisions & write-downs	(43)	(50)
Adjusted EBIT	3,374	11,626
Revenues	429,254	548,589
Adjusted EBIT margin	0.8%	2.1%

(*) Comprises: (i) financial income for Euro 1.2 million; (ii) interest expense on loans and other bank charges for Euro 7.3 million; (iii) write-downs of equity investments for Euro -2.1 million; and (iv) customer cash discounts for Euro -2.1 million and (v) exchange gains for Euro 2.1 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 0.2 million, (ii) restructuring charges of Euro 0.3 million and (iii) other non-recurring charges of Euro 0.5 million. For further details, see paragraph 9 of the Notes to the Separate Financial Statements.

The income statement figures of the Parent Company report revenues and acquisition costs which differ from the consolidated financial statements as including inter-company purchase and sales activities undertaken by Aquafil S.p.A. with the investees, which however in the consolidation process are eliminated. The net result does not incorporate the positive income statement results of the previous year of the subsidiaries, in view of the investments' valuation method adopted. For all other detailed information, see paragraph 7 below and the Notes to the Company's separate financial statements of the Parent Company.

5.5 KEY BALANCE SHEET AND FINANCIAL INDICATORS OF THE PARENT COMPANY AQUAFIL S.P.A.

(in Euro thousands)	At December 31, 2020	At December 31, 2019
Shareholders' Equity	107,531	106,846
Net Financial Position	259,483	271,271

The net financial position of the Parent Company Aquafil S.p.A. does not reflect the real debt of the company as not taking account of liquidity available in the bank accounts of the subsidiaries at year-end (Euro 72.3 million). Funding from the financial system in fact was undertaken largely by the parent company, which plays a financial support role for all of the subsidiaries. The only funding line undertaken by subsidiaries is the loan taken out in July 2020 by Tessilquattro S.p.A. for a total of Euro 5 million.

For all other detailed information, reference should be made to the separate financial statements of the company.

6. ECONOMIC OVERVIEW

The year 2020 was totally affected by the outbreak of the COVID-19 pandemic, which struck China in January 2020 and quickly spread to Europe, the United States and South America, and consequently plunged the world into a dramatic health emergency and deep economic crisis. Global economic activity contracted sharply in the first part of the year, following the severe measures taken by the governments of the most affected countries to contain the virus, which led to the complete closure of production activities in many sectors. Since the third quarter of the year, thanks to the easing of restrictive measures and the announcement of the availability of a vaccine in the near future, there has been an initial recovery in the world economic cycle, to which the rapid recovery of China contributed, approximately one quarter ahead of the rest of the world. The health and economic picture at the end of 2020 appears quite contrasting between Asia, Europe, and the United States. In fact, in the fourth quarter China now appears to have returned to an almost normal situation, with infections practically eliminated and economic activity resumed at full capacity; India and Japan report similar situations. In contrast, the United States and Europe are in the midst of a second wave of the virus, which emerged in the final months of the year and early months of 2021 with a somewhat unexpected resurgence. A gradual easing of infections is expected in spring thanks to the arrival of the first vaccines.

Within this landscape, and given the forecasts of Prometeia, 2020 is expected to close with global GDP down 4.5%, which is essentially in line with the forecasts of the OECD of a decline of 4.2%. Among the large economies, only China will avoid a decline in GDP in 2020, making a positive contribution to world output. The recovery in the USA and the Eurozone will be slower than that in China: although the GDP's of the USA and the Eurozone also accelerated in the third quarter of the year, even more than expected, this was less so than China and, above all, these countries experienced a new slowdown in the fourth quarter — especially in the Eurozone — due to the resurgence of the virus. World trade has contracted by an OECD-estimated 10%. In the U.S., after rebounding in the third quarter of the year, the GDP still remains below the level at the end of 2019; exceptions are consumption of durable goods and residential investment. The weakness of the labour market persists and household confidence levels worsened, also due to the increase in new infections. However, the uncertain economic outlook is related not only to developments with the pandemic, but also to the complex transition from the Trump administration to the Biden administration, which has begun with an encouraging agreement in Congress for a 10-year, USD 908 billion package of stimulus measures. In Europe, the economic recovery through the summer proved not to be particularly vigorous, despite exceeding expectations. The strong growth in GDP seen in many EU member states in the third quarter as result of loosening restrictions brought about by the pandemic enabled these economies to recover losses from the second quarter. This included Italy, which managed to reduce the country's lag in terms of average rates of growth in the euro area. We have seen a strong recovery in internal demand generally, and particularly in France, Spain and Italy. The recovery has been more limited in Germany, but the country also suffered fewer economic consequences from the health crisis in the first quarter. Despite a strong recovery in the third quarter, the United Kingdom remains far from pre-COVID-19 levels of GDP, posting one of the worst performances in Europe amid the additional uncertainty of the country's exit from the European Union. Italy appears to be dominated by major uncertainty as one of the nations that suffered the worst consequences of the pandemic. With the end of the spring lockdown, Italy posted a significant rebound in growth (+15.9%) in the third quarter and was one of Europe's best-performing economies, including record growth in capital expenditures and in exports, which more than offset the challenges in services in which social interaction is crucial, such as tourism, dining and entertainment. However, the optimism brought about by the encouraging third quarter was tempered both by a second wave of infections in the autumn months and by how quickly the health-care system found itself once again under pressure, which called for extensive new measures of social distancing. Within this landscape, the measures implemented by government to combat the negative economic effects of the travel restrictions introduced in mid-October (the "Ristori" decrees) resulted in an unprecedented rescue equal to 6.6% of GDP, but this will still not be enough to prevent another recession through the fourth quarter of 2020 and into the start of 2021. GDP is expected to fall 9.1% in 2020. A gradual return to "normalcy" and an end to the economic crisis can only be achieved through increased vaccinations. Once health safety is achieved, the economic recovery can be strong, as the summer months have shown, but it will be essential to avoid any permanent damage to the economy in the meantime in terms of lost jobs and business closures. A major driver of economic recovery may come from implementation of the programme Next Generation EU, which calls for up public investments of up to 3.4% of GDP, as compared to an average of 2.2% in recent years. Under these conditions, both investment and the additional spending it brings about will be able to bring the Italian economy back to strong rates of growth.

In 2020, the average euro/dollar exchange rate was 1.14, up 1.9% on 2019. Central banks in Europe and the U.S. have implemented extensive, accommodating policies in response to the significant deterioration of the macroeconomic landscape brought about the pandemic. In the Eurozone in particular, the expansionary policies already in place have been reinforced with the start of a new Pandemic Emergency Purchase Programme (PEPP), while, in the United States, the Federal Reserve has cut interest rates to the 0-0.25% range, down from the 1.5-1.75% of the beginning of the year. Efforts to buoy the Euro have been led by European agreement on the Euro 750 billion Recovery Fund aimed at promoting economic recovery out of the crisis caused by the pandemic and, in the latter part of the year, growing optimism surrounding the global economic recovery in 2021 in the wake of approval of the various COVID-19 vaccines.

On the oil markets, to which trends in caprolactam and polymer prices are partially correlated, the average Brent price rose 32.6%, from USD 64.1/bbl in 2019 to USD 43.2/BBL in 2020. In the early part of the year, oil prices fell sharply following a drop in global demand amid travel and shipping restrictions in an effort to contain the virus. Nonetheless, Brent prices began recovering again in the last two months of the year due to encouraging news concerning the COVID-19 vaccines and strong demand in Asia, where consumption in China surpassed 2019 levels.

7. GROUP OPERATING PERFORMANCE

The 2020 Income Statement compared with the previous year is reported below:

Consolidated income statement (in Euro thousands)	At December 31, 2020	<i>of which non-recurring</i>	At December 31, 2019	<i>of which non-recurring</i>
Revenues	436,602	458	548,955	
<i>of which related parties</i>	53		58	
Other revenues and income	10,265	213	2,555	229
Total revenues and other revenues and income	446,867	671	551,509	229
Cost of raw materials and changes to inventories	(209,825)	(101)	(282,841)	(124)
<i>of which related parties</i>	0		0	
Service costs and rents, leases and similar costs	(86,067)	(2,087)	(100,412)	(3,584)
<i>of which related parties</i>	(446)		(491)	
Labour costs	(101,867)	(3,056)	(113,281)	(5,849)
Other costs and operating charges	(4,430)	(828)	(4,194)	(1,129)
<i>of which related parties</i>	(70)		(70)	
Amortisation, depreciation and write-downs	(43,600)		(37,765)	
Provisions & write-downs	(632)		(325)	
Write-downs of financial assets (receivables)	(346)		(230)	
Increase in internal work capitalised	5,830		4,927	
Operating Profit	5,929	(5,402)	17,389	(10,457)
Financial income	352		1,195	1,082
Financial charges	(7,982)		(7,573)	
<i>of which related parties</i>	(226)		(252)	
Exchange gains/losses	1,780		(488)	
Profit before taxes	79	(5,402)	10,524	(9,375)
Income taxes	517		(1,519)	750
Profit for the year	595	(5,402)	9,005	(8,625)
Minority interest net profit	0		0	
Group Net Profit	595	(5,402)	9,005	(8,625)
<i>Basic earnings per share</i>	<i>0.01</i>		<i>0.18</i>	
<i>Diluted earnings per share</i>	<i>0.01</i>		<i>0.18</i>	

2020 **Consolidated revenues** decreased on the previous year by Euro 112.4 million (20.5%), from Euro 549.0 million to Euro 436.6 million. On a like-for-like basis, i.e. not taking into account the 2019 and 2020 sales of Aquafil O'Mara Inc., consolidated sales for 2020 decreased by Euro 121.1 million (22.8%), from Euro 531.4 million to Euro 410.3 million.

The reduction derives from a decrease (a) in sales volumes, more marked in the BCF product line and in the EMEA and USA regions, but also (b) from a change in the sales mix due to the greater share represented by sales of polymers, whose prices are lower than those of fibres, and (c) lower average sales prices, related to the decrease in raw material prices. Revenues from ECONYL® branded products on total fibre sales decreased from the prior year, down from 37.5% to 36.9% in 2020, primarily due to the impact of the pandemic on sales of BCF line products to the shipbuilding industry.

Other **revenues and income** increased by Euro 7.7 million, rising from Euro 2.6 million to Euro 10.2 million; details are provided in the Notes to the Financial Statements, which highlight as the main components the benefits obtained by Group companies as measures to combat the COVID pandemic, including subsidies from the conversion of PPP Loans obtained by US companies amounting to Euro 4.8 million and contributions obtained by AquafilSLO d.o.o. amounting to Euro 2.9 million.

Raw materials, ancillaries and consumables decreased 25.8%, or Euro 73 million, to settle at Euro 209.8 million, down from the 282.8 million of 2019 following a decline in production volumes and in the price of raw materials, with the average price of caprolactam and polymers in the EMEA, U.S. and China decreasing by more than 20% from the previous year. This trend also impacted the value of products in inventory at year end.

Service costs and rent, lease and similar costs amounted to Euro 86.1 million, down Euro 14.3 million from the Euro 100.4 million of 2019. The individual cost components are detailed in the Explanatory Notes and follow both the trend in production and sales volumes and the benefits of the cost-savings efforts implemented in order to combat the effects of the pandemic.

Labour costs came to Euro 101.9 million, down from the Euro 113.3 million of 2019. The overall labour costs account for 23.3% of revenues, compared to 20.6% in 2019. Labour costs net of non-recurring components (Euro 3.1 million) came to Euro 98.8 million, down from the Euro 107.4 million of 2019. Labour costs net of non-recurring components account for 22.6% of revenues, compared to 19.6% in 2019. The average workforce for the Group decreased by 143 employees, from an average of 2,953 in 2019 to 2,810 for 2020, due mainly to the closure of the Aqualeuna G.m.b.H. plant and reductions related, above all, to plants in the USA and Slovenia. The reduction in cost follows the reduction in volumes produced and has benefited from cost-reduction efforts implemented in order to mitigate the effects of the pandemic.

EBITDA settled at Euro 58.4 million, a decrease of Euro 11.1 million (15.9%) from the Euro 69.4 million of 2019. The EBITDA Margin in 2020 was 13.4%, compared to 12.6% in 2019. At like-for-like consolidation scope, i.e. excluding the margins of Aquafil O'Mara Inc., 2020 EBITDA would be Euro 53.4 million, compared to Euro 67.1 million for 2019, a decrease of Euro 13.7 million (20.4%). The like-for-like EBITDA Margin came to 13% in 2020, compared to 12.6% in 2019.

The change in EBITDA in 2020 was mainly impacted by the following factors:

1. negatively by:
 - a) the lower quantities sold due to a reduction in market demand as a result of the COVID-19 pandemic;
2. positively by:
 - a) the benefits of cost-reduction efforts beginning in March 2020 in order to combat the effects of the COVID-19 pandemic, in addition to the positive impact of converting into gains the U.S. PPP loans and other subsidies received in various countries, especially in Slovenia, as described in greater detail in the Explanatory Notes in the section "Other revenues and income";
 - b) the benefits of the reorganisation of production for the BCF product line in the EMEA area due, in part, to the closure of the former Aqualeuna plant in Germany;
 - c) the recovery of costs for the ECONYL® caprolactam regeneration process;
 - d) the decrease in logistics costs (shipping and import duties) on provisioning from Europe and the USA, which fell significantly from 2019 due to the full implementation of capacity increases at Aquafil USA;
 - e) the completion of integration of the BCF businesses acquired by Invista Asia in 2018, which were fully internalised in 2020 following the full implementation of the capacity increases at Aquafil Jiaying.

Amortisation, depreciation and write-downs for the year, in the amount of Euro 43.6 million, increased by Euro 5.8 million from the Euro 37.8 million of 2019 due to the start of operations for the high level of capex in previous years.

Adjusted EBIT follows the movements of EBITDA, while differing in terms of increased amortisation and depreciation on 2019. For the year under review, it settled at Euro 13.8 million, down 55.6% from 2019, due to both the lower EBITDA and the increase in amortisation and depreciation for the year.

Non-recurring components in 2020 came to a net cost of Euro 5.4 million, down Euro 3.2 million compared to the Euro 8.6 million of 2019, and are detailed in the Explanatory Notes.

EBIT, compared to adjusted EBIT, includes the "non-recurring" components and the portion of charges specified in notes (*) and (**) in the preceding Key Group financial highlights" table. It came to Euro 5.9 million for the year, down 65.9% from 2019 following the trend in adjusted EBIT, while also benefiting from the improvement in non-recurring components.

Net financial charges increased from Euro 6.9 million to Euro 5.9 million, a net decrease of Euro 1.0 million. This change is attributable to: (i) the increase in interest on loans, rising from Euro 7.6 million in 2019 to Euro 8.0 million in 2020, as a result of the higher Group debt and increased charges on the bond loans subscribed by Prudential; and (ii) net exchange gains and losses, which went from a loss of Euro 0.5 million in 2019 to a gain of Euro 1.8 million in 2020, mainly due to the conversion into Euro of items in US dollars, the negative effects of currency hedges that had penalised 2019 and the adjustment of the MTM of the interest rate hedging instruments. For a like-for-like comparison of the two years, it is necessary to exclude a non-recurring financial gain of Euro 1 million recognised in 2019.

Income taxes stem from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities; as detailed in the Notes; current income taxes amount to Euro 0.4 million compared to Euro 3.1 million in the previous year; net deferred tax income amount to Euro 0.9 million compared to a positive effect of Euro 1.6 million in the previous year.

The Group **Consolidated Net Profit** was Euro 0.6 million, compared to Euro 9.0 million in 2019, declining 93.4%.

8. DISCLOSURE BY OPERATING SEGMENT

IFRS 8 defines an “Operating segment” as a component (i) involving business activities generating revenues and costs, (ii) whose operating results are reviewed periodically at the highest decision-making level and (iii) for which separate financial data is available.

The operating segments of the company are identified on the basis of the information analysed by the Board of Directors, which constitutes the highest decision-making level for strategic decisions, the allocation of resources and the analysis of results.

For IFRS 8 purposes, the Group activities are identifiable as a single operating segment whose results are reviewed periodically by the Board of Directors.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests. Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement.

The breakdown of consolidated revenues by region and by product line is therefore reported below.

8.1 BREAKDOWN OF REVENUES BY REGION AND PRODUCT LINE

The breakdown of revenues by region and product line is presented in the following table (Euro millions) and also in percentage terms, alongside an analysis of the movements against the previous year:

	BCF (carpet yarn)				NTF (clothing yarn)				Polymers				Total			
	YTD 2020	YTD 2019	Cge	Cge %	YTD 2020	YTD 2019	Cge	Cge %	YTD 2020	YTD 2019	Cge	Cge %	YTD 2020	YTD 2019	Cge	Cge %
EMEA	150.9	203.9	(53.0)	(26.0%)	67.2	87.9	(20.7)	(23.5%)	29.8	35.5	(5.6)	(15.9%)	247.9	327.2	(79.3)	(24.2%)
North America	80.6	106.1	(25.5)	(24.0%)	25.2	16.4	8.8	53.9%	5.4	5.4	0.1	1.4%	111.3	127.9	(16.6)	(13.0%)
Asia/Oceania	72.8	89.8	(16.9)	(18.9%)	2.7	1.9	0.8	42.5%	0.2	0.5	(0.4)	(70.0%)	75.7	92.2	(16.5)	(17.9%)
Rest of world	0.5	0.2	0.3	N,A	1.3	1.5	(0.2)	(14.0%)	0	0.0	(0.0)	N,A	1.8	1.7	0.1	5.6%
Total	304.9	400.0	(95.1)	(23.8%)	96.4	107.7	(11.3)	(10.4%)	35.4	41.3	(5.9)	(14.3%)	436.7	549.0	(112.3)	(20.5%)

The comparison indicates the following:

- EMEA** revenues reduced 24.2% (Euro 79.3 million) in 2020 against the previous year, where:
 - the *BCF* product line contracted 26.0% (Euro 53 million) due to reduced volumes, particularly in automotive and contract applications;
 - the *NTF* product line contracted 23.5% (Euro 20.7 million) due to reduced consumption on the end-user markets;
 - the *polymers* product line contracted 15.9% (Euro 5.6 million) due to a slowdown in sales, which was impacted by downturns in the outlet markets;
- North American** revenues fell 13% (Euro 16.6 million), where:
 - the *BCF* product line contracted 24% (Euro 25.5 million) due mainly to the slowdown in sales in the contract segments and, through the middle part of the year, in the automotive segment, which then saw a partial recovery;
 - the *NTF* product line increased 53.9% (Euro 8.8 million), which is attributable entirely to Aquafil O'Mara Inc. due to (a) the change in scope (12 months of 2020 vs. 7 months of 2019) and (b) the growth in revenues in the fourth quarter of 2020 as a result of a recovery in the residential sector, which is the primary market for the US firm's finished product;
- Asia Oceania** revenues reduced 17.9% (Euro 16.5 million) due to the decreased consumption in the middle of the year on the Asia and Oceania markets, which saw a sustained recovery in the second half of the year on sales volumes that surpassed those of 2019. This area and the *BCF* product line also include the engineering business of Aquafil Engineering G.m.b.H., which posted a decrease of Euro 3.4 million revenues from 2019 but saw a significant recovery in orders in the latter part of the year. The *BCF* product line alone, i.e. excluding engineering, contracted 16.3% (Euro 13.5 million).

9. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2020, and December 31, 2019.

Group balance sheet and financial situation (in Euro thousands)	At December 31, 2020	At December 31, 2019	Change
Trade receivables	22,015	24,960	(2,945)
Inventories	150,920	184,931	(34,011)
Trade payables	(69,168)	(76,089)	6,920
Tax receivables	1,772	1,639	133
Other current assets	11,981	12,126	(145)
Other current liabilities	(22,835)	(23,551)	716
Non-current assets held for sale	0	428	(428)
Net working capital	94,684	124,444	(29,760)
Property, plant & equipment	229,495	251,492	(21,997)
Intangible assets	23,578	21,101	2,477
Goodwill	13,600	13,029	571
Financial assets	650	669	(19)
Net fixed assets	267,324	286,291	(18,967)
Employee benefits	(5,969)	(5,721)	(248)
Other net assets/(liabilities)	(10,405)	(13,109)	2,703
Net capital employed	345,633	391,905	(46,272)
Cash and banks	208,954	90,400	118,554
ST bank payables and loans	(67,172)	(42,153)	(25,019)
M-LT bank payables and loans	(240,940)	(169,796)	(71,144)
M-LT bond loan	(90,406)	(90,458)	53
ST bond loan	(308)	(3,903)	3,595
Current loans	834	1,637	(803)
Other financial payables	(29,698)	(35,296)	5,598
Net Financial Position	(218,736)	(249,570)	30,834
Group shareholders' equity	(126,897)	(142,335)	15,438
Equity attributable to non-controlling interests	(1)	(1)	0
Total shareholders' equity	(126,897)	(142,336)	15,438

In the consolidation process, the balance sheet items expressed in foreign currencies were impacted by the write-back/write-down of opening balance sheet items in 2020 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2020 arose partly due to this factor.

Net working capital amounts to Euro 94.7 million, decreasing Euro 29.8 million on Euro 124.4 million in 2019. This improvement is mainly attributable to a reduction in inventories, from Euro 184.9 million to Euro 150.9 million, a change of Euro 34.0 million. The reduction in the price of raw materials is the primary factor leading to this decrease in inventories, while efforts to reduce inventories also led to reductions, mainly in the USA and EMEA.

Trade payables also decreased by Euro 6.9 million, from Euro 76.1 million to Euro 69.2 million, as a result of decreased exposure on purchases from the main raw-material suppliers in the latter part of 2020.

Trade receivables decreased Euro 2.9 million due, in part, to decreased revenues at the end of 2020 compared to the latter part of 2019. The doubtful debt provision does not show a significant increase in credit risk due to (a) not using the provision for bad debts during the year and (b) maintaining the level of insurance coverage on customers by the credit insurance companies.

Fixed assets at December 31, 2020, amounted to Euro 267.3 million, a decrease of Euro 19 million compared to the Euro 286.3 million of the previous year, due to the combined effect of:

1. goodwill recognised on the acquisition of Aquafil Carpet Recycling LCC and the relative assets included in the consolidation for a total of Euro 2.6 million;
2. net investment activities in tangible and intangible assets of Euro 30.2 million, including Euro 3.5 million regarding the increase in the year concerning the movement in goods recognised as per IFRS 16;
3. negative conversion differences and other minor items in the amount of Euro -7.6 million;
4. amortisation and depreciation in the year of Euro -43.6 million.

Investments in property, plant and equipment are outlined in detail in the Notes and mainly concerned (a) the technological upgrading and improvement of existing plant and equipment, (b) efficiency increases at the ECONYL® regenerated caprolactam production plant and in carpet recycling technology in the USA, (c) projects to improve industrial and production efficiency, and (d) usage rights pursuant to IFRS 16.

The increase in intangible assets is mainly due to (a) development costs for textile fibre samples, which comply with the criteria set out by IAS 38, (b) the development of the bio-caprolactam production technology, and (c) Information and Communication Technology operations. These changes are also outlined in the Notes.

Shareholders' Equity decreased Euro 15.4 million, from Euro 142.3 million to Euro 126.9 million, substantially due to the combined effect the consolidated net profit of Euro 0.6 million and a reduction in differences for the translation of financial statements from currencies other than the Euro in the amount of Euro 15.7 million.

The **Net Financial Position** (net debt) at December 31, 2020, amounted to Euro 218.7 million, compared to Euro 249.6 million in the previous year, an improvement of Euro 30.8 million. The movements are outlined in detail in the consolidated cash flow statement, indicating in particular (a) the cash flows generated from operating activities of Euro 46.8 million, (b) the impact on investment activities for Euro 27.9 million, (c) the reduction in net working capital of Euro 21.4 million, and (d) financial charges and income taxes paid for Euro 8.0 million.

The Group's financial structure has evolved in a significantly prudent manner in response to the needs to reduce liquidity risk in order to combat the potential effects of a continuation of the COVID-19 pandemic. The measures implemented during the year were as follows:

- a) moratoriums with all banks on loan payments due in 2020 for a total of Euro 42.1 million attributable to the Parent Company;
- b) new medium-term, unsecured loans signed by the parent company, Aquafil S.p.A., and by the subsidiary Tessilquattro S.p.A. for a total of Euro 105.0 million against the repayment of existing loans in the amount of Euro 12.5 million, mainly in the first quarter of 2020. For details on debt, see the Explanatory Notes to the financial statements.

As a result of these measures, liquidity at year end, including the current accounts of the various companies of the Group, went from Euro 90.4 million to Euro 209.0 million, which is well above the needs of ordinary Group operations. New medium to long-term financing obtained during the year, aimed, in part, at covering capex needs for the year but mostly for the aforementioned need to increase Group liquidity, amounted to Euro 105.0 million, Euro 65 million of which backed by the guarantees of the "Liquidity Decree" (Italian Law Decree no. 23/2020) by way of SACE (Euro 60 million) and the Central Guarantee Fund (Euro 5 million).

Short-term bank borrowings for the Group included lines of credit totalling Euro 78 million at year end, all of which available and unused, in addition to the availability, at current financial-market conditions, of the shelf facility connected to the bonds subscribed by the Prudential Group totalling USD 50 million.

Debt related to application of IFRS 16 totalled Euro 20.0 million, down Euro 4.3 million from the Euro 24.3 million of the previous year.

The leasing payables were classified to finance lease payables and principally concern the property lease upon the production facilities of Aquafil S.p.A. at Arco (TN).

10. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

10.1 INTER-COMPANY TRANSACTIONS

Aquafil Group operations directly involve - both in terms of production and distribution - the Group companies, which are assigned (depending on the case) the processing, special processing, production and sales phases for specific regions.

The main activities of the various group companies and principal events in 2020, broken down by each of the three product lines, were as follows.

BCF (Bulk Continuous Filament for textile floor covering) Line

The core business of the Aquafil Group is the production, re-processing and sale of yarn, mainly polyamide 6-based yarn for the higher-quality end-markets. The Group also produces and markets polyester fibres for certain textile flooring applications.

The Group companies involved in the production and sales processes for this product line are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), Aquafil SLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aquafil USA Inc. with two facilities in Aquafil Drive and Fiber Drive in Cartersville (U.S.A.), Aquafil Synthetic Fibres and Polymers Co. Ltd with facilities in Jiaxing (China), Aquafil Asia Pacific Co. Ltd with facilities in Rayong (Thailand), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland), the commercial company Aquafil Benelux-France B.V.B.A. based in Harelbeke (Belgium) and the commercial company Aquafil Oceania Pty Ltd., Melbourne (AUS).

Group commercial operations for this product line are undertaken with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the “contract” markets (hotels, offices and large public environments), (b) internal high-end car floors and (c) residential textile flooring. Ongoing product and process technology innovation involves frequent updates to the yarns comprising the customer’s collection; the research and development is carried out by the internal development centre in collaboration with developers within client companies and architectural studies upon the final users of carpets.

NTF Line (Nylon Textile Filament - Fibres for textile/clothing use)

The NTF product line produces and reprocesses polyamide 6 and 66 fibres, Dryarn® polypropylene microfibers for men’s and women’s hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concern producers in the clothing, underwear and sportswear sectors, on which the main clothing brands operate.

The production/sale of fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A., Aquafil SLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

Nylon 6 polymer line

The Group produces and sells polymers and polyamide 6 for the “engineering plastics” sectors.

The polymers are mainly produced/sold by Aquafil S.p.A., Aquafil SLO d.o.o. and Aquafil USA Inc. Cartersville (U.S.A.).

ECONYL® regeneration process

A significant proportion of polyamide-6 fibres, for both the BCF and the NTF product lines, as well as for polymers, are produced using the caprolactam from regenerated ECONYL®, a logistical-production system which obtains top-quality caprolactam from the transformation of materials, and mainly recovered industrial (pre-consumer) polyamide 6 and/or (post-consumer) materials disposed of at the end of their life cycle.

With regards to supporting the process through polyamide 6 textile flooring materials recovered at the end of their life cycle, the process involves a number of pre-treatment phases at two re-processing facilities - Aquafil Carpet Recycling (ACR) #1 Inc. in Phoenix, Arizona (USA) and Aquafil Carpet Recycling (ACR) #2 Inc. in Woodland, California (USA) and from December, the newly acquired company Aquafil Carpet Recycling Inc.. The company ACR #1 is almost fully operational with the processes of extraction of nylon 6 and other by-products from the “end-of-life” carpets and subsequent regranulation in pellets in order to effectively support the ECONYL® industrial process at the Ljubljana plant. The company ACR #2 is completing systems start-up, drawing on the technological and organisational innovations of ACR #1, and is expected to begin full operations once the start-up of ACR #1 is complete. This is, in any event, hoped to take place by the end of 2021 and will involve the recycling and commercialisation of other carpet waste obtained from reprocessing.

The caprolactam monomer obtained at the Ljubljana plant from the ECONYL® regeneration process supports all three product lines - BCF, NTF and polymers - as an alternative raw material to that from fossil sources, for applications (a) in textile flooring with a specific sustainability focus, (b) in clothing and accessories, in particular at the request of the leading international fashion brands more dedicated to a concrete circular economy and (c) in the design and manufacture of innovative polyamide 6 based plastic products, instead of other plastic materials that cannot be restored to their original state by way of chemical regeneration such as polyamide 6.

Other activities

The Slovak company *Cenon S.r.o* (Slovakia) does not carry out production activities; it holds a long-term lease of land and owns buildings and non-specific plant which remain on the site after the disassembly and sale to third parties of specific chemical plant concerning the activities carried out previously.

Aquafil Engineering G.m.b.H., Berlin (Germany) carries out industrial chemical plant design and supply for customers outside the Group and in part for Group companies.

With the other related companies to which reference is not expressly made, commercial operations are undertaken at arm’s length, in consideration of the features of the goods and services rendered.

The subsidiary *Aquafil India Private Ltd* (India) is not operational.

10.2 RELATED PARTY TRANSACTIONS

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the consolidated financial statements for the year ended December 31, 2020, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

The Group has made available on its website www.aquafil.com, in the Corporate Governance section, the Related Parties Transactions Policy.

The Aquafil Group undertakes transactions with the following related parties:

- parent company and other companies at the head of the chain of control (parent companies);
- other parties identified as related parties in accordance with IAS 24 (other related parties).

The transactions between the Parent Company, its subsidiaries outside of the consolidation scope and the Aquafil Group concern financial transactions, commercial leases and transactions for the settlement of accounts receivable and payable arising from the tax consolidation of Aquafil Holding S.p.A., which includes, in addition to Aquafil S.p.A., the company Tessilquattro S.p.A.. The transactions are shown in the notes to the financial statements.

The transactions were executed at market conditions; for a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group consolidated financial statements at December 31, 2020, reference should be made to the Explanatory Notes.

With the exception of that indicated above there were no other transactions or contracts with related parties which, with regard to materiality upon the financial statements, may be considered significant in terms of value or conditions.

11. RESEARCH AND DEVELOPMENT

Aquafil has a standing Research & Development unit that manages and oversees all product and process innovation applied to raw BCF yarns and dyed solutions, NTF yarns, PA6 polymers and the ECONYL® process and the continued development of the bio caprolactam production process.

Technological research, development and innovation for 2020 concerned the main stages of production and the materials used, from the production inputs to the subsequent by-products of polymerisation, spinning, reprocessing and, for ECONYL®, regeneration and recycling of materials.

More specifically, R&D led to actions regarding efficiency, performance, product functioning, eco-design, recycling and reuse, the use of natural pigments, the study of micro-plastics, the development of polymerisation processes, and developments in areas of product application, taking advantage of outside contributions coming in the form of market input, new technologies, new solutions and new materials, and the use of solutions recommended by qualified research partners.

A number of projects - due to their complexity and difficulty - last many years and are undertaken in collaboration with outside partners; other less complex projects present results in a short timeframe.

Summary and description of the individual projects

Technological research, development and innovation for 2020 concerned numerous projects, some of which began in prior years. The main projects are listed below:

- “Ecodesign”, a project to study and identify product and technology know-how in order to define concepts, prototypes and industrial developments for textile floor coverings designed to recuperate any residual value in the materials used, particularly in ECONYL® regeneration processes. This project is being conducted in collaboration with customers and with suppliers of materials for textile flooring products (primary backing, latex, etc.) in order to develop an innovative concept of sustainable and easily recyclable carpet to “disassemble” all its components, but it applies to other types of applications for polyamide 6-based products;
- continuation of the development and fine-tuning of technology for the selection and recycling of end-of-life polyamide carpets, which is being conducted in both Slovenia and the USA by the companies ACR #1 Inc. and ACR #2 Inc., for materials to feed the process of producing ECONYL® polyamide 6;
- development of BCF yarns that are intrinsically flame retardant and feature objective approaches applied to the fibres in order to improve cleaning and stain resistance; development of methods of cleaning and sanitising PA6 rugs/carpets that have a low environmental impact; development of anti-static carpet fibres featuring minimal conductivity;
- research and development of new (natural) pigments and other additives aimed at improving the chemical and physical characteristics of the fibres;
- research and development of ECONYL® PA6-based materials that can be used in 3D printing;
- standard approach to determining the micro-plastics found in various forms (i.e. solid, liquid, gas) in the textile industry and other segments as a useful tool in full ecodesign;
- development of advanced colour-management software applications for the formulation, production and online verification of dye uniformity;
- study and engineering of stabilising molecules aimed at increasing the UV and heat resistance of polyamide 6 for outdoor applications of nylon textile fibres (NTFs);
- development of antibacterial and antiviral NTFs, of multi- and microfilament FDY fibres for critical applications; development of a new polyethylene NTF of low thermal resistance for textile applications;
- “organic caprolactam” project in collaboration with Genmatica Inc., in San Diego, California (USA). This project called for finalisation of the first production of the first batch of organic 6-ACA in quantities close to a tonne and the subsequent conversion into organic caprolactam. The focus has been on the subsequent scale-up to a pre-industrial level, with a system (representative of industrial scale) dedicated to transformation of intermediate organic 6-ACA into bio-caprolactam to be constructed for the AquafilSLO plant in Ljubljana in 2021;
- project “Effective”, coordinated by the Aquafil Group and financed by the Bio-Based Industries Joint Undertaking (BBI JU), a public-private partnership between the European Union and a consortium of bio-tech enterprises under the EU research programme Horizon 2020 aimed at developing bio-polymers (bio-polyamides and bio-polyesters) for the production of fibres and films for consumer goods that

fit within the circular economy. With regard to bio-polyamides, the project has mainly focused on two areas of research: the conversion of organic 6-ACA into bio-caprolactam and the pilot production of the first batch of organic Nylon 6; and development of a process to produce a bi-monomeric bio-polyamide (Nylon 6.9), an innovative product that is not yet available on the market. In this regard, efforts have focused on developing the polymerisation process on a pilot scale and has included a number of preliminary tests of polymerisation on an industrial scale. The batches of polymer produced have then been successfully converted both into BCF yarns (subsequently validated in the creation of prototype carpets) and in the production of single-material film by way of cast extrusion and blow extrusion technologies;

- research and development of processes aimed at the chemical recovery of polymers from polycondensation and efforts to increase the efficiency of polymerisation processes and of new polymerisation technologies in order to enhance the mechanical properties of the polymers;
- development of online sensors specific to high-speed, continuous spinning systems;
- industrial applications of augmented reality in the remote control and specialised support of the individual production systems at Group facilities;
- implementation of industrial automation for systems to produce, transport and package spools of textile fibres and digitalisation of the provisioning of materials for production processes.

Patent developments

The following is a list of patents that have been filed:

- a) patent registered to Aquafil S.p.A. 7.3.2013, PCT, on the recycling of polyamide fibres from elastomeric products;
- b) patent registered to Aquafil S.p.A. 8.6.2017, PCT, on the composition of fish-net coatings;
- c) patents filed by AquafilSLO d.o.o., published on June 28, 2018, with validity in all 152 countries subscribing to the Patent Cooperation Treaty (PCT), regarding a method to recover copper from discarded fishing nets in support of the ECONYL® process;
- d) patent filed by AquafilSLO d.o.o., published on November 29, 2018, and valid in the USA, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 5, 2018. A further patent application for integrations on the same process by Aquafil SLO is currently in the publication process;
- e) patent filed by AquafilSLO d.o.o. and published on June 20, 2019, in all PCT-member countries, with specific national/regional extensions in countries in which there are caprolactam production sites, including the EU, the USA, China, Russia and Japan, related to the improvement and optimisation of solvent-free caprolactam purification technology. As a result of these activities:
 1. definitive go-ahead has been issued for the European patent granted at the end of 2020 and published on January 20, 2021;
 2. two patents have been granted in the USA covering the solvent-free process innovation and the systems;
 3. it was validated and published in Japan in March 2021;
 4. it has been published in China;
 5. the publication process is under way in Eurasia;
- f) as part of the project relating to the development of bio-caprolactam, the patent application was filed on December 28, 2018, at the Italian Patent Office, jointly by Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), and relating to the transformation phase of the initial linear intermediate obtained through fermentation processes into the final cyclic ring monomer used for the production of bio nylon 6; the responses to the clarifications requested by the Italian Patent Office by way of the European Patent Office were filed on November 25, 2020, thereby completing the process leading to final publication; in December 2019, the content was supplemented, and the Italian patent was filed under the PCT with validity in all 152 member nations; on July 2, 2020, the PCT patent on the cyclisation of the linear intermediate that results in caprolactam was published; national and regional extensions of the PCT patent will be filed in the relevant countries by June 2021.

12. CORPORATE GOVERNANCE

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of Legs. Decree 58/1998, approved by the Board of Directors, together with the Directors' Report made available at the registered office of the company and on the Group website.

Certain disclosure within the scope of the Corporate Governance and Ownership Structure report is covered by the "Remuneration Report" drawn up as per Article 123-ter of Legislative Decree 58/1998. Both reports, approved by the Board of Directors, are published in accordance with law on the company website www.aquafil.com.

13. OTHER INFORMATION

13.1 MANAGEMENT AND CO-ORDINATION

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The parent company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil S.p.A..

All of the Italian direct or indirect subsidiaries of Aquafil S.p.A. have met the publication requirements under Article 2497-bis of the Civil Code, indicating Aquafil S.p.A. as the company exercising management and co-ordination.

13.2 TREASURY SHARES

At December 31, 2020, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchases or sales were made.

13.3 GROUP IRES (CORPORATE INCOME TAX) TAXATION PROCEDURE

Aquafil S.p.A. is the consolidating company of the group taxation procedure, as chosen by Aquafin Holding S.p.A. for the 2018-2020 three-year period in accordance with Articles 117 to 128 of Presidential Decree 917/1986, as amended by Legs. Decree No. 344/2003.

The company Tessilquattro S.p.A. is a consolidated company within the Group taxation procedure, in accordance with the option exercised by Aquafin Holding S.p.A. as consolidating company for the three-year period 2019-2021.

In preparing the financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognised.

13.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGS. DECREE 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and operating procedures, as updated by: (a) Law No. 3 of January 9, 2019, "Measures to combat offenses against the public sector, as well as on the statute of limitations and the transparency of political parties and movements", with particular reference to the new offense as per Article 346 bis of the Italian Criminal Code - Exercising of undue influence, introduced by Article 25 of Legislative Decree 231/01; (b) Law No. 157 of December 19, 2019, "Conversion into law, with amendments, of Legislative Decree No. 124 of 26 October 2019, containing urgent provisions on tax matters and for unavoidable needs", which introduces tax offences into the catalogue as per Legislative Decree No. 231/01; (c) Legislative Decree No. 75 of July 14, 2020, "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the EU's financial interests by means of criminal law".

13.5 IMPAIRMENT TEST PROCEDURE

In order to conduct impairment tests for the purpose of verifying the recoverability of assets, as described below, the Parent Company has adopted specific, formal procedures as approved by the Board of Directors on February 15, 2019.

14. RECONCILIATION BETWEEN THE PARENT COMPANY AND GROUP SHAREHOLDERS' EQUITY AND OPERATING RESULT AT DECEMBER 31, 2020

A breakdown of the composition and movement of shareholders' equity of the parent company and the Group consolidated financial statements at December 31, 2020 is presented in the following table:

(in Euro thousands)	Shareholders' Equity	Net Result
Parent company net equity and net result	107,531	685
Consol. Adjustments on parent company	1,993	(12,410)
Elimination of carrying amounts of consolidated investments		
Difference between Shareholders' Equity & Carrying amount	13,832	
Pro-quota results of investees	(891)	(891)
Elimination of the effects of transactions between consolidated companies		
Reversal of write-downs net of revaluations of investments	294	294
Inter-company dividends	(5,979)	(5,979)
Inter-company profit/(loss) included in inventories & other minor	(5,548)	2,890
Translation reserve	15,666	
Net equity and net result as per consolidated financial statements	126,897	(15,411)
Minority interest net equity and net result	1	0
Group net equity and net result	126,897	(15,411)

15. SUBSEQUENT EVENTS AND OUTLOOK

Subsequent events after December 31, 2020

1. On February 11, 2021, Aquafil Carpet Recycling #1, Inc., received confirmation of the Paycheck Protection Program (PPP) forgiveness payment in the amount of USD 396,000 by the US Small Business Association (SBA).
2. On February 26, 2021, given the high level of liquidity available, the loan received from Intesa San Paolo with a remaining balance of Euro 2.5 million was paid in full ahead of schedule, and the instalment of Euro 1.5 million due in 2021 on the loan with an original balance of Euro 15 million was paid early. The bullet loan from Cassa Depositi e Prestiti in the amount of Euro 20 million was also paid ahead of schedule. Additional loans are expected to be paid in full during the year ahead of their original amortisation schedules.
3. As published on the company's website on February 17, 2021, *Fabrizio Calenti*, executive director of Aquafil S.p.A., resigned for personal reasons effective as of June 30, 2021. The Group has begun efforts to select a suitable replacement for the role.
4. The company *Aquafil Japan Co., Ltd.*, based in Tokyo (Japan) and a wholly owned subsidiary of Aquafil S.p.A., was established on February 12, 2021, and will be responsible for the transformation and commercialisation of synthetic fibres and polymers for the Japanese market.
5. Also on February 12, 2021, the Japanese ITOCHU Corporation, a world leader in the trade of caprolactam and polyamide polymers, an Aquafil S.p.A. announced a memorandum of understanding for a strategic partnership aimed at promoting and expanding the production of circular nylon, from recycling nylon waste to the development, production and sale of nylon products under the ECONYL® brand, inspired by a shared commitment to a sustainable future.

Outlook

In the first two months of 2021, the Group continued to recover despite continued uncertainty and variability surrounding both the pandemic – due to the spread of new variants and the timing of vaccinations in many countries around the world – and, consequently, the global economic landscape. Nonetheless, Group revenues have confirmed the upward trends seen in the second half of 2020 in the various geographical areas and in all three product areas.

For 2021, based on the above and on information currently available, and assuming trends in the overall landscape continue, the outlook for the Group is as follows:

- growth in revenues leading to a partial recovery compared to 2019 levels, with the Group focusing commercial efforts on a recovery in both sales volumes and sales mix, with a particular emphasis on ECONYL®;
- a recovery in profitability backed by the expected growth in sales volumes, by a sales mix in line with expectations, and the consolidation of part of the efficiency gains achieved during the previous year;
- an improvement in the debt-to-EBITDA ratio in response to both the previous profitability gains and the ongoing focus on the management of investments and of net working capital, while ensuring the ability of the Group to adapt to changes in the marketplace.

Non Financial Report

Legislative Decree no. 254 of 2016



Methodological note

(GRI 102-48:2016; GRI 102-49:2016; 102-50:2016; GRI 102-51:2016; GRI 102-52:2016; GRI 102-53:2016; GRI 102-54:2016; GRI 102-56:2016)

This “Consolidated Non-Financial Report” (hereinafter the “Report”) presents the Sustainable Operating Model adopted by Aquafil Group (hereinafter “the Group”), in accordance with the indications of Legislative Decree No. 254 of 2016.

The report has been prepared in accordance with the GRI Standards: Core option, using the version published in 2016 for all material aspects except:

- *occupational health and safety (GRI 403) and water and effluents (GRI 303) for which the version published in 2018 was considered;*
- *waste (GRI 306) for which the version published in 2020 was considered;*
- *tax (GRI 207), the first version of which is the 2019 version.*

In contrast with previous reports, the information on economic performance (GRI 201:2016) has been included in a dedicated chapter (paragraph 2.6 Economic performance and value creation) to make the document self-contained, and a discussion on tax has been added, with reference to the new GRI 207:2019 standard. All information is reported on an accruals basis, in accordance with the principle of competence by analogy with the information provided in the Directors’ Report, to which reference should be made for more detailed information.

During 2020, the Group decided to update its materiality analysis to understand how the COVID-19 pandemic had affected both the Group’s priorities towards sustainability issues and stakeholders’ views. The review led to the inclusion of a new aspect, although it had already been addressed in previous reports (diversity and equal opportunity – GRI 405:2016). The detailed list of the indicators reported is shown in the appended Content Index.

The Group adheres to the United Nations Sustainable Development Goals programme and has identified the goals to which it contributes through the activities it carries out. The reference used to link the GRI standards selected to the SDGs supported is the document “Linking the SDGs and the GRI Standards”¹. To make the document easier to read, references to the SDGs and GRI standards covered are provided in the various paragraphs of the Report.

The reporting scope (paragraph 1.3) includes all fully consolidated Group companies that have production sites, with the exception of Aquafil Carpet Recycling LLC, as it was incorporated in December 2020.

In addition, Aquafil Carpet Recycling (ACR) # 2 is included in the scope for all information except that of an environmental nature as the production site is in the start-up phase and therefore some information (e.g. energy and water consumption, etc.) is not yet available.

In contrast to 2019, the company Aqualeuna, whose production site was decommissioned in October 2019, is not included in the 2020 scope.

In line with previous reports, all consolidated trading and service companies with exclusively administrative and market oversight functions are excluded from the scope.

All information and indicators are reported annually and refer to the calendar year 2020; comparisons are provided with those of the previous four fiscal years (2016-2019).

The content of the Report is subject to limited audit by the independent third-party PricewaterhouseCoopers S.p.A., according to the principles and indications of the "International Auditing and Assurance Standard Board (IAASB)".

The Report includes the response to the recent Consob "Warning Notice No. 1/21 of 16/2/2021", regarding:

- the impact of the COVID-19 pandemic on non-financial issues, mitigation actions taken and social issues pertaining to personnel (paragraph 2.4.2.5 Occupational health and safety);
- the effects of the COVID-19 pandemic on the business model, value creation and the link between financial and non-financial aspects (paragraph 2.6 Economic performance and value creation);
- risks related to climate change (paragraph 3.15 Environmental aspects).

In responding to the above notice, further reference was made to the ESMA document on the 2020 European common enforcement priorities².

For additional information regarding the contents of this report, please e-mail info@aquafil.com.

¹ Linking the SDGs and the GRI Standards; Global Reporting Initiative; September 2020.

² European common enforcement priorities for 2020 annual financial reports, ESMA, October 28, 2020





CHAIRMAN'S LETTER

(GRI 102-14:2016)

It is said that hard times create strong men, and strong men create quiet times. I like to think that the same principle applies to sustainability: initial difficulties always serve as a stimulus to grow and set a course that is self-sustaining thanks to sound principles.

2020 has been a very challenging year in more ways than one. Across the world we faced a situation never seen in modern times, to which we had to react swiftly, with a sense of responsibility and of community.

Aquafil has implemented operations to the best of its ability to ensure the safety of those working at production sites and has supported the local communities severely affected by an unexpected and aggressive pandemic. Thanks to timely and targeted actions we have been able to keep all the plants open, even in the darkest times. We have tried to make the most of this particular period: we have continued to pursue ambitious projects to make our supply chains - as well as our products - increasingly circular and environmentally friendly.

The recycling of copper extracted from fishing nets, research into how to produce nylon using raw materials of vegetable origin and the numerous projects undertaken upstream and downstream of the supply chain in collaboration with suppliers and customers are just some of the tangible examples of a lasting commitment that, even in the toughest times, continues to bear excellent fruit.

Giulio Bonazzi







1.

1

OPERATIONAL MODEL

This chapter is dedicated to the presentation of the Corporate Governance Model adopted by the Group, and to its global presence in both geographical and product marketing terms.

1.1 The Aquafil Group

(GRI 102-1:2016; GRI 102-3:2016; GRI 102-4:2016)

For more than 50 years, Aquafil Group has been a leading Italian and global producer of synthetic fibres, and particularly of polyamide 6 fibres.

The Group, founded in 1965 in Arco, Italy, where it still has its headquarters, at December 31, 2020, boasts 17 plants on 3 continents and in 7 countries (Italy, Slovenia, United Kingdom, Croatia, USA, China and Thailand). Figure 1).

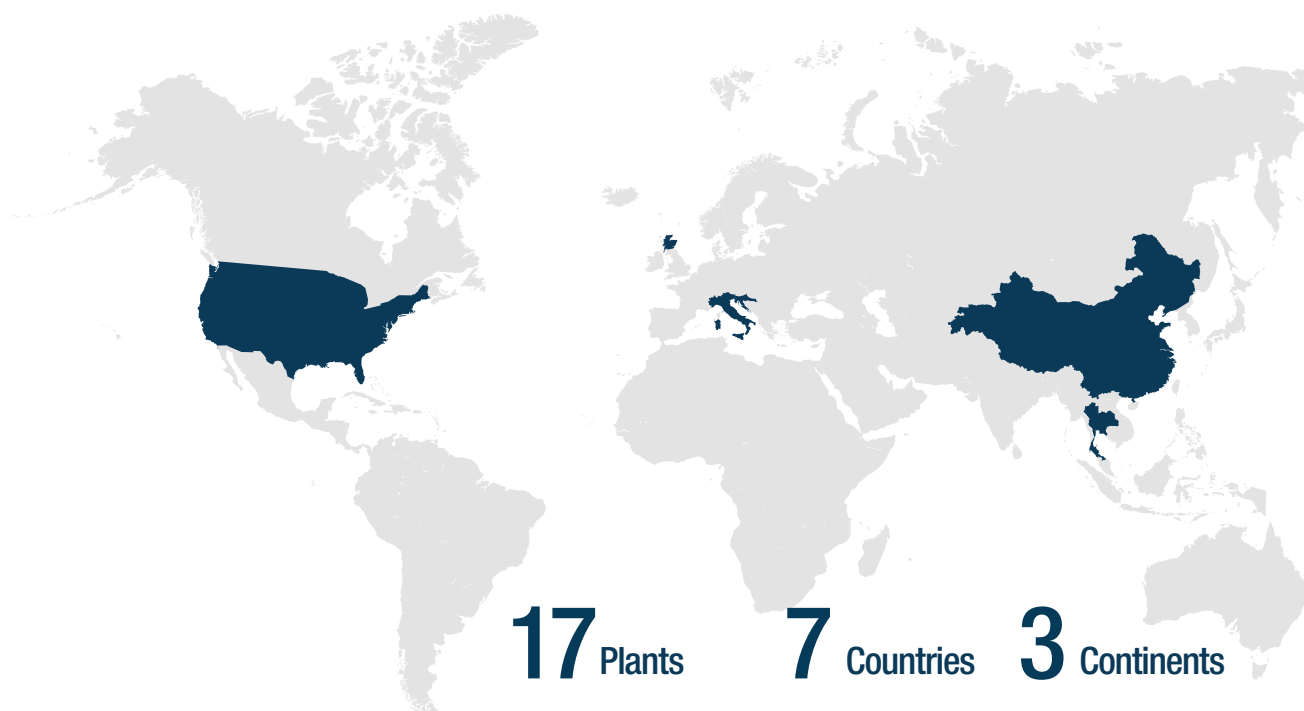
Group products target various sectors, including textile flooring (carpets and rugs), clothing (underwear, hosiery and technical sports clothing) and plastic moulding for the creation of accessories and design products.

The Group also operates in the plant engineering sector through the company Aquafil Engineering G.M.B.H., which specialises in the design of industrial chemical plant, and in the polymers sector for plastics moulding.

The Group's strengths include:

- A clear corporate identity with a consistent focus on reducing the environmental impact of its products and production processes;
- An extremely broad and varied product portfolio, in a high-quality bracket, offering a complete and diversified range of coloured yarns;
- A strong global presence;
- A high level of control of the entire production and distribution chain permitting polymer and fibre production process management, with a strong focus on the development of the circular economy (ECONYL®);
- Strong synergy between flooring and clothing sector activities, especially in terms of expertise and geographical distribution.

Figure 1 - THE GROUP'S GLOBAL PRESENCE (DATA ON PLANT ONLY, UPDATED TO 31/12/2020)



AMERICA

USA

AQUAFIL DRIVE / CARTERSVILLE

BCF

Spinning
Masterbatch
Carpet yarn interlacing
Twisting
Heat setting

FIBER DRIVE / CARTERSVILLE

BCF

Logistics

AQUAFIL O'MARA / RUTHERFORD COLLEGE NORTH CAROLINA

NTF

Spinning
Texturing
Overlay

ACR #1 / PHOENIX

Recovery and separation of carpets after use

ACR #2 / WOODLAND

Recovery and separation of carpets after use

ACR LCC / PHOENIX

Recovery and separation of carpets after use

EUROPE

ITALY

ARCO / TN

BCF

Polymerisation
Masterbatch spinning

EP

Compound e
Masterbatch

ROVERETO / TN

BCF

KdK and Superba dyeing

CARES / TN

BCF

Interlacing
Twisting

SLOVENIA

LUBIANA

BCF

Carpet yarn polymerisation
Spinning
Twisting
Heat setting

NTF

Textile yarn spinning
Warping
Masterbatch

ERS

Depolymerisation
ECONYL® caprolactam

AJDOVSCINA

ERS

Waste preparation PA6

SENOZECE

NTF

Textile yarn warping

CELJE

BCF

Carpet yarn twisting
Heat setting

CROATIA

OROSLAVJE

NTF

Interlacing
Colling/Twisting
Textile yarn texturing

SCOTLAND

KILBIRNIE

BCF

Carpet yarn interlacing
Twisting
Heat setting

ASIA

CHINA

JIAXING

BCF

Carpet yarn spinning
Interlacing
Twisting
Heat setting

THAILAND

RAYONG / BANGKOK

BCF

Carpet yarn interlacing
Twisting

BCF Yarn for Carpets
EP Engineering Plastics
ERS ECONYL® Regeneration System
NTF Yarn for garments
ACR Aquafil Carpet Recycling

1.1.1. Product Areas

(GRI 102-2:2016)

Aquafil's production and marketing activities are organised into three product areas, flooring yarns, clothing yarns, and polyamide 6 polymers (or Nylon 6), the latter mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

3 PRODUCT AREAS



The production of textile flooring yarns, accounting for over 70% of revenues, has been the Group's core business since its foundation. The product area is focused on producing and marketing carpet yarn, and is a reference point for manufacturers in three main market segments: the contract segment, including airports, large carpeted walkways, offices and public spaces; the automotive segment, including car mats and coverings; and the residential segment. The Group has set up Carpet Centres in each of the main production markets (Italy, USA and China), whereby specialist technicians support customers in the creation of designer products in step with market trends, developing ad-hoc chromatic solutions and tailor-made production techniques. A considerable share of flooring yarn sales involve ECONYL®.



The Clothing Yarns product area is dedicated to the production of polyamide 6 and 6.6 synthetic fibres and dryarn® brand polypropylene for the underwear, hosiery, sports, fashion and leisure clothing sectors. With its experience in the sector and the use of ECONYL® fibre (Nylon 6), Aquafil is the main supplier of leading Italian and European apparel, underwear and sportswear brands.



In addition, the Aquafil Group produces polymers to be used directly, or after processing, in the plastic moulding industry. These polymers, and particularly ECONYL® nylon, are used in a variety of sectors, such as for the production of accessories in the fashion sector (e.g. glasses frames) and furniture in the design sector (e.g. chairs).

1.1.2. Reference markets

(GRI 102-6:2016)

The Group operates on a global scale with a consistent service level across the various companies and markets.

Two of the defining features of the Group since its inception have been the development of synchronised market penetration and the building of the logistics and industrial infrastructures required to supply products on a global scale.

International expansion has enabled the Group to develop and operate on the following markets:

- EMEA³ and North America for the development, production and marketing of yarns for textile flooring, fibres used in clothing and polymers;
- Asia and Oceania for the production and marketing of textile flooring yarns and polymers.

The Aquafil Group manages sales directly on its key markets through distributors (under exclusivity) and, for smaller markets, through individual multi-mandate agents.

³Europe, Middle East and Africa

1.2 Corporate governance

(GRI 102-5:2016; GRI 102-18:2016)

Aquafil S.p.A. is a joint-stock company, listed on the STAR segment of the Italian Stock Exchange's MTA Market, whose majority shareholder is Aquafin Holding S.p.A.

The Company has adopted a traditional administration and control system, with company management assigned to the Board of Directors (hereinafter "BoD"), whose directors are appointed at the Shareholder's Meeting. Control functions are assigned to the Board of Statutory Auditors. Since listing, the Company has subscribed to the Self-Governance Code and, by resolution of February 7, 2021, to the new Corporate Governance Code.

The Appointments and Remuneration Committee and Control, Risks and Sustainability Committee assist the Board of Directors through investigative duties, respectively concerning the assignment of roles and positions and their relative remuneration, and the system for internal control, risk management, sustainability and approval of the periodic financial reports.

The Supervisory Board also has the duty to oversee the compliance and updating of the Organisation, Management and Control Model.

The audit of accounts has been awarded to an independent audit firm PricewaterhouseCoopers S.p.A.

1.2.1. Shareholders' Meetings

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The Shareholders' Meeting considers motions, in ordinary and extraordinary session, on the matters reserved to it in accordance with law and the By-Laws. The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment, or at the request of the Chairperson, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected).

The Law and the By-Laws set out the functions and rules of Shareholders' Meetings: competencies and majorities, meeting call methods and timings and contribution and voting options.

1.2.2. Board of Directors

The BoD, appointed in accordance with the By-Laws, has the task of defining strategic guidelines for the Company and its Group.

The BoD of the Company is responsible for the ordinary and extraordinary management of the company, undertaking all acts, including disposals, deemed appropriate in order to achieve the company's object, with the sole exception of those expressly reserved for the Shareholders' Meeting by law or the By-Laws.

During the appointment process, the Shareholders' Meeting establishes the number of members of the BoD, who are appointed using the list voting method.

All Directors must satisfy the professionalism, eligibility and good standing requirements established by applicable law and other provisions. In addition, a predetermined number of Directors must meet the independence requirements of the Corporate Governance Code, taking into account in this connection the segment in which the shares are listed.

The Chairperson is elected by the BoD from among its members, coordinates its activities and guides the conduct of Board meetings. In addition, through the competent company functions, the Chairperson ensures that the Directors are involved in induction initiatives to improve their knowledge of the entity and its dynamics and that they are informed of major legislative and regulatory developments regarding the Company and the corporate boards.

The Board of Directors may delegate part of its duties to an Executive Committee, determining the limits of such mandate, the number of members of the Committee and its operating procedures, in addition to setting up one or more committees with consultative, proposal or oversight powers in accordance with the applicable statutory and regulatory provisions.

The Board of Directors may also appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer (in line with the terminology used in the new Corporate Governance Code).

Company signature and representation in front of third parties and in legal settings, in addition to topics regarding the method for appointing Directors, the standing, professionalism and independence requirements, those regarding the functioning (calling, motions, representation of the company), and finally regarding their remuneration, are governed by the Company By-Laws and reported in the Corporate Governance Report.

Table 1 shows the structure and composition of the Board of Directors at 31/12/2020.

Table 1 - COMPOSITION OF THE BOARD AT 31/12/2020

Chairman and CEO	Giulio Bonazzi
Executive Directors	Adriano Vivaldi
	Fabrizio Calenti
	Franco Rossi
Directors	Silvana Bonazzi
	Simona Heidempergher (*) (**)
	Ilaria Maria Dalla Riva (*)
	Margherita Zambon (*)
	Francesco Profumo (*)

(*) Director declaring independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Self-Governance Code

(**) Lead Independent Director

1.2.3. Board of Statutory Auditors

The Board of Statutory Auditors of the Company comprises 3 Statutory Auditors and 2 Alternate Auditors, as decided by the Shareholders' Meeting, which also appoints its Chairperson.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and in particular:

- operating control functions, in particular verifying:
 - » compliance with the principles of correct management;
 - » the adequacy of the Company's organisational structure;
 - » proper implementation of the Code;
 - » the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
 - » oversight of:
 - » the financial disclosure process;
 - » the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
 - » the audit of the statutory annual accounts and of the consolidated annual accounts;
 - » the independence of the independent audit firm;
 - » communicating to the Board of Directors the outcome of the statutory audit;
 - » responsibility for the independent audit firm selection policy.

The Company By-Laws govern all aspects regarding their appointment, duration and duties (callings, motions).

Table 2 presents the current composition of the Board of Statutory Auditors of the Group.

Table 2 - COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AT 31/12/2020	
Chairman	Stefano Poggi Longostrevi
Statutory Auditor	Fabio Buttignon
	Bettina Solimando
Alternate Auditor	Marina Manna
	Davide Barbieri

1.2.4. Appointments and Remuneration Committee

The BoD has established an Appointments and Remuneration Committee made up of three Independent Directors. The Appointments and Remuneration Committee has the duty to support the BoD with investigative, proposal and consultation duties, regarding the definition and preparation of the criteria for the assignment and roles and positions on the administration bodies, and to assess and define the applicable remuneration policies.

The specific areas of competence are listed in detail in the Regulation of the Appointments and Remuneration Committee of Aquafil S.p.A., which also governs its functioning (calling, execution of duties and minuting of meetings).

Table 3 presents the current composition of the Appointments and Remuneration Committee.

Table 3 - APPOINTMENTS AND REMUNERATION COMMITTEE AT 31/12/2020	
Chairman	Francesco Profumo
Participants	Margherita Zambon
	Ilaria Maria Dalla Riva

1.2.5. Control, Risks and Sustainability Committee

The BoD has established a Control, Risks and Sustainability Committee made up of three Independent Directors.

In June 2020, the Control and Risks Committee was assigned new functions relating to sustainability, thus becoming the Control, Risks and Sustainability Committee. This change is intended to improve coordination between the actions of the various corporate roles involved in sustainability and, in general, increase the effectiveness of the initiatives undertaken in this area.

The Committee has the task of assisting the Board with periodic financial report approvals, risk management, internal control system supervision, findings assessments and related Board decisions.

The details of the tasks, as well as aspects relating to its functioning (calling, carrying out of duties and minuting of meetings) are governed by the Rules of Procedure of the Control, Risks and Sustainability Committee.

Table 4 presents the current composition of the Control and Risks Committee.

Table 4 - COMPOSITION OF THE CONTROL AND RISKS COMMITTEE AT 31/12/2020	
Chairperson	Simona Heidempergher
Partecipants	Francesco Profumo
	Ilaria Maria Dalla Riva

1.2.6. Supervisory Board as per Legislative Decree 231/01

The BoD has appointed a Supervisory Board (hereinafter “SB”) and Chairperson, with independent powers of initiative and control, whose duty is to oversee the implementation and compliance of the Organisation, Management and Control Model, to verify its adequacy and to guarantee its updating. In line with the functions established by the regulation, the SB must meet requirements of independence, professionalism and continuity of operation.

In support of its duties, the SB has complete access to all Company documentation and may draw upon - under its direct supervision and responsibility - all of the company’s structures or external consultants.

Table 5 presents the current structure and composition of the Supervisory Board.

Table 5 - COMPOSITION OF THE SUPERVISORY BOARD AT 31/12/2020.	
Chairman	Fabio Egidi
Internal member	Karim Tonelli
External member	Marco Sargenti

1.2.7. Sustainability Steering Committee

The Sustainability Steering Committee was established in 2018 and is made up of three working groups covering the main areas of sustainability relating to environmental, social and economic issues.

Its goal is to guide and monitor the development of corporate sustainability policies in line with the principles stated in the sustainability policy entitled THE ECO PLEDGE® (paragraph 2.1) and to ensure this is constantly monitored.

In addition, it is required to report periodically to the Control, Risks and Sustainability Committee on the progress of the sustainability plan and projects underway, presenting the results of these and any requests to launch new initiatives.

1.3 Reporting scope

(GRI 102-10:2016; GRI 102-45:2016)

The Group comprises 19 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, the United States and Asia (Figure 2).

The reporting scope includes all fully consolidated Group companies with production sites, with the exception of the company Aquafil Carpet Recycling LLC, as it was incorporated in December 2020.

In addition, Aquafil Carpet Recycling (ACR) #2 is included in the scope for all information except that of an environmental nature as the production site is not yet operational and therefore some information (e.g. energy and water consumption, etc.) is not yet available. In fact, the production site is in the process of completing the plant start-up, building on the technological and organisational innovations developed and adopted in ACR#1, and is expected to be fully operational by the end of 2021, developing the recycling and marketing of materials other than Nylon 6 obtained from breaking down carpets at the end of their useful life.

Compared with 2019, the company Aqualeuna, whose production site was decommissioned in October 2019, is not included in the scope of the 2020 Non-Financial Statement. However, the company remains among the Group's consolidated companies.

In line with previous reports, all of the trading and services companies with exclusively administration and market oversight functions have been excluded, with such exclusions limiting the presentation of Group results “to the extent necessary to understand operations, performances and results and the impact produced” as required by Legislative Decree 254/2016.

Specifically, the scope does not include:

- the company Cenon S.r.o (SK), as not operative;
- the company Aquafil India, as not operative;
- the company Aquafil Tekstil Sanayi Ve Ticaret A.S., which carries out trading activities on the Turkish market;
- the German company Aquafil Engineering G.m.b.H., which independently carries out the design and construction of chemical plant;
- the Belgian company Aquafil Benelux-France BVBA, which carries out agency and commercial representation activities for the Benelux and French market;
- the Australian company Aquafil Oceania Pty Ltd, which carries out agency and commercial representation activities for the Australian and New Zealand market.

The companies within the scope employ a negligible portion of the Group's personnel (fewer than 50 employees overall, corresponding to about 1% of total Group employees) and therefore do not contribute significantly to the change in the trends in the indicators.

Figure 2 indicates in blue the consolidated companies included in this Report.

GOVERNANCE

The Aquafil Group comprises 19 companies directly or indirectly held by Aquafil S.p.A, which oversees the strategic, management and operating focus of the entire Group.

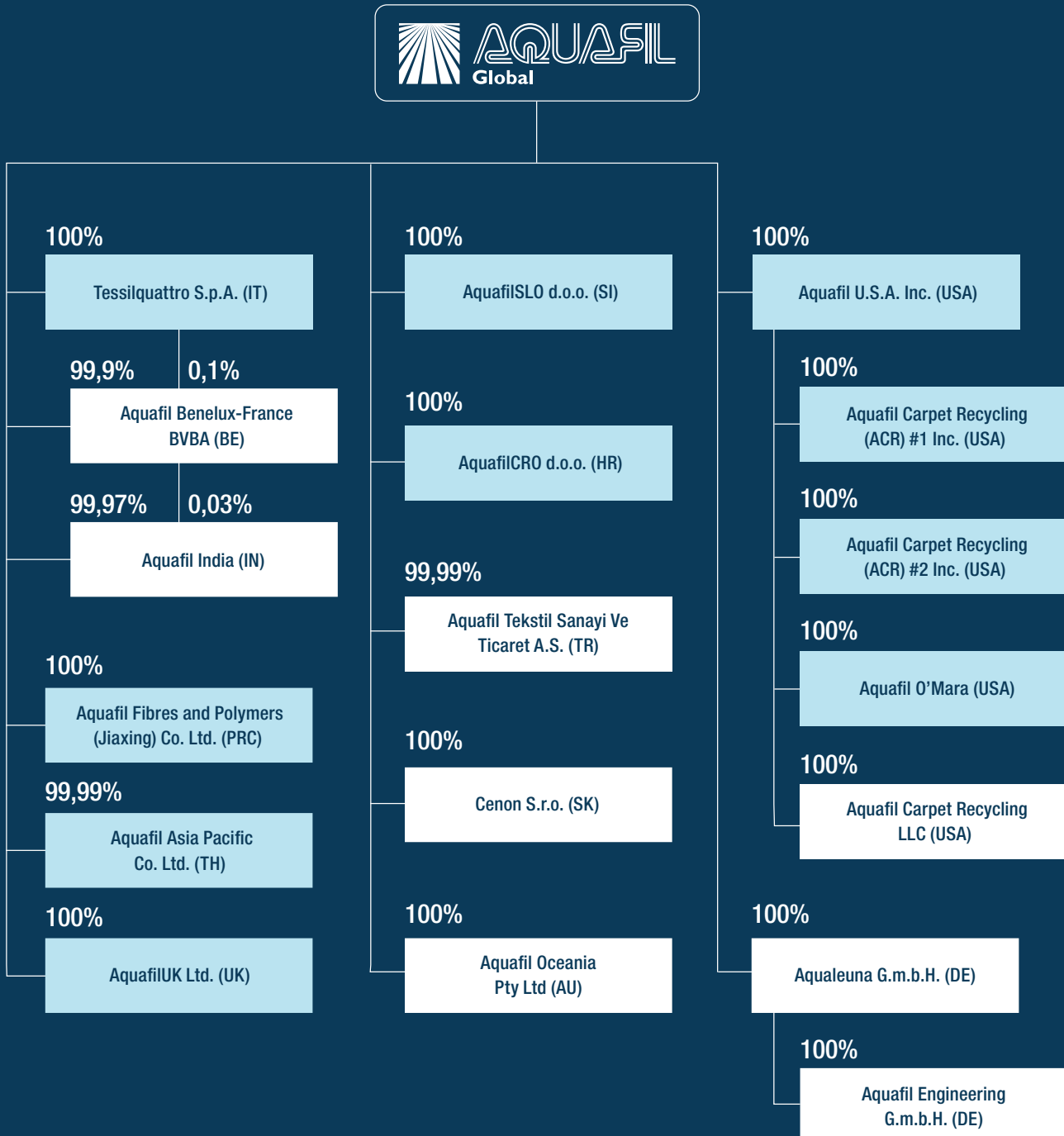


Figure 2 - GROUP STRUCTURE DIAGRAM AT 31/12/2020 WITH RELATIVE SHARE CAPITAL PERCENTAGES HELD BY THE PARENT COMPANY AQUAFIL S.P.A

■ (the consolidated companies included in the Non-Financial Report scope are indicated in blue).

2

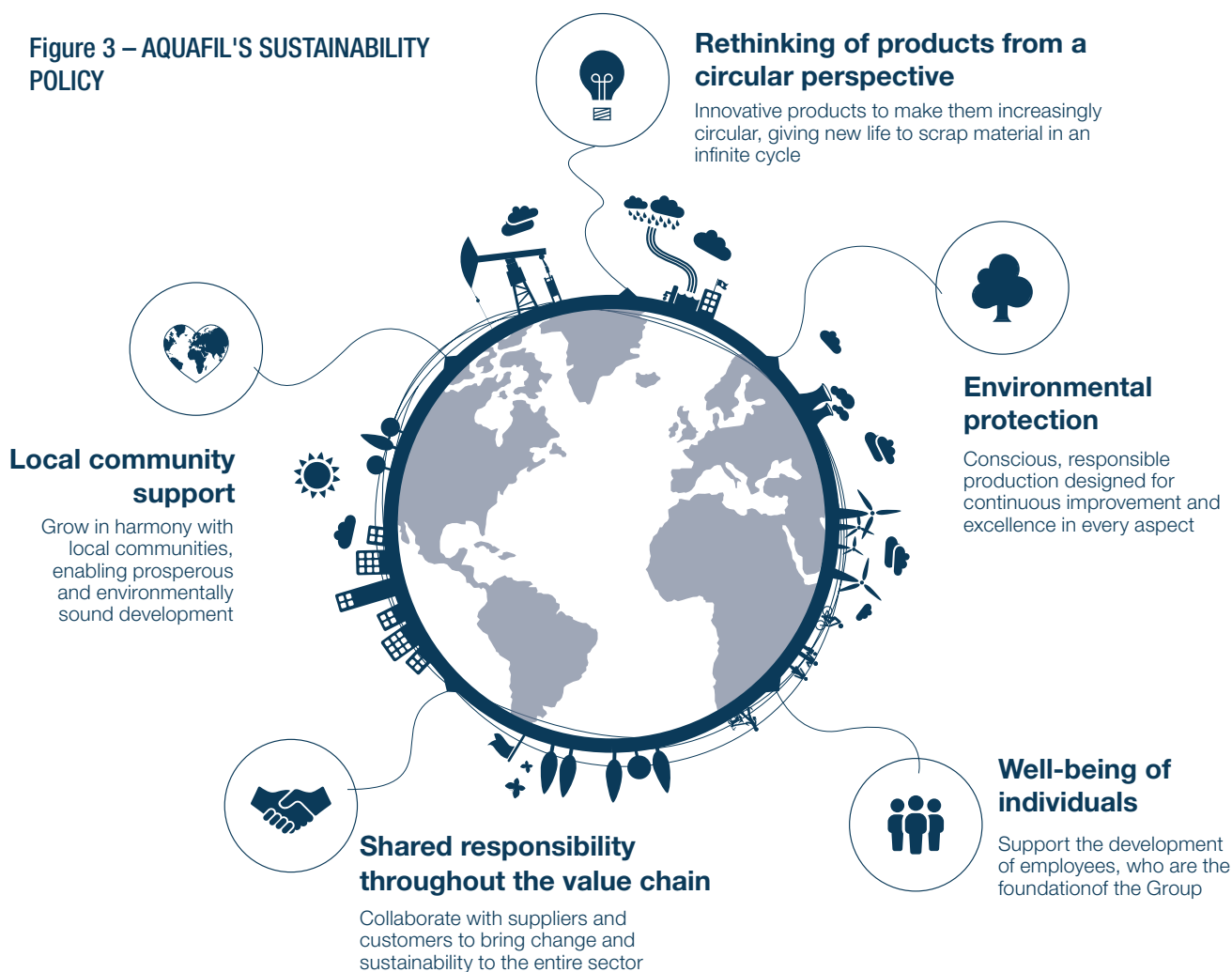
SUSTAINABILITY POLICIES

This chapter is dedicated to the social and environmental policies adopted by the Group.

2.1. Doing business sustainably: THE ECO PLEDGE®

For many years Aquafil has been on a path that sees sustainability and the circular economy as the core of its values and business strategy.

Underlying this daily commitment to excellence and responsible growth are the guidelines defined by "THE ECO PLEDGE® - Aquafil's Path Toward full Sustainability", which formalises the sustainability policy guiding the Group's operations (Figure 3).



Taking the commitments stated in THE ECO PLEDGE® as its starting point, in 2019 the internal Sustainability Steering Committee (paragraph 1.2.7) drew up a plan to guide the Group's commitments and activities in the medium term.

The plan is divided into five "Pillars" of sustainability, each of which corresponds to areas of improvement and projects to be implemented. For each area and its projects, the document details corporate goals and responsibilities.

Finally, to provide stakeholders with an additional tool to assess the Group's sustainability commitments and progress, the Sustainability Steering Committee decided to align the Group's sustainability pillars and the entire reporting system (including this Non-Financial Statement) with the Sustainable Development Goals (hereinafter, "SDGs") defined by the United Nations.



AQUAFIL AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The decision to link the Group's sustainability plan to the SDGs derives, once again, from its desire to put in place a transparent, effective and long-lasting process of growth and improvement.

The SDGs were integrated into Aquafil's reporting process in accordance with the guidelines set out in the manuals "Business Reporting on the SDGs" published by GRI and UN Global Compact, and in accordance with the document "Linking the SDGs and the GRI Standards" published by GRI. The process required a careful analysis of the individual goals and their respective targets, which were compared with the pillars, action areas and goals laid down in Aquafil's sustainability plan.

Through this, 12 SDGs were identified (shown in Figure 4) to which Aquafil can provide a relevant contribution.



FIGURE 4 - SDGs SUPPORTED BY AQUAFIL

Table 6 shows an extract from the Group's Sustainability Plan with links to the SDGs supported.

Table 6: SUSTAINABILITY PLAN - IMPROVEMENT AREAS AND DEDICATED PROJECTS

SUSTAINABILITY PILLARS	IMPROVEMENT AREAS	PROJECTS	SUPPORTED SDGS
 Rethinking of products from a circular perspective	Creation of new sustainable value chains	Creation of new recycled materials from secondary raw materials obtained by recycling aquaculture nets and carpets	  
	Research other sustainable value chains	Biopolymers (H2020 Effective Project)	
 Environmental protection	Investment in energy from renewable sources	Procurement of electricity from renewable sources for the entire Aquafil group	  
	Impact of production processes	<ul style="list-style-type: none"> Energy efficiency of the production lines Reduction in water consumption and discharges ISO 50001 and 14001 certification 	  
 Well-being of individuals	Minimisation of accidents	ISO 45001 certification	  
	Support for the development of personnel	Educational projects to promote the culture of sustainability among all Group employees	 
 Shared responsibility throughout the value chain	Integration of sustainability with procurement procedures	<ul style="list-style-type: none"> SA 8000 certification ECONYL® Qualified project Integrated supplier qualification procedure 	  
	Dissemination of the culture of sustainability	Healthy Seas project	 
 Local community support		<ul style="list-style-type: none"> Education on environmental protection Support of local cultural and sports centres Contribution to youth development Support of vulnerable groups 	    

2.2. The shared approach

(GRI 102-46:2016; GRI 102-47:2016)

Aquafil reports its sustainability commitments and results using the principle of materiality; this approach ensures that the Group's sustainability document, which since 2018 has been a part of the Non-Financial Statement, has a robust and transparency-oriented approach.

The selection of topics to be addressed in the Statement is based on a procedure established over the years and overseen by the Sustainability Steering Committee (referred to as "the Committee" until the end of paragraph 2.2), which is divided into four phases:

1. Identification of sustainability topics
2. Prioritising the sustainability topics
3. Evaluation of the completeness of the process
4. Process review

2.2.1. Identification of sustainability topics

The Committee continues to connect each of the sustainability pillars of THE ECO PLEDGE® with one or more of the sustainability topics of the Global Reporting Initiative's international standards, in line with the Group's area of activity. These aspects are subsequently linked to the SDGs as well.

This makes it possible to identify a set of internationally recognised topics and indicators capable of representing the Group's performance and allowing comparisons to be made over time.

2.2.2. Prioritising the sustainability topics

(GRI 102-40:2016; GRI 102-42:2016; GRI 102-43:2016; GRI 102-44:2016)

The assignment of priorities aims to identify the sustainability topics that are important for both Aquafil and its stakeholders.

This phase involves three distinct steps:

1. Internal prioritisation by the Committee
2. Stakeholder engagement
3. Preparation of the materiality matrix and selection of "material" issues on which to focus reporting.

INTERNAL PRIORITISATION BY THE COMMITTEE

The Committee starts by assessing the issues identified during phase 1, using the five evaluation criteria indicated in Table 7.

Table 7 - CRITERIA ADOPTED FOR ASSESSING THE RELEVANCE OF MATERIAL TOPICS

CRITERION	DESCRIPTION
STRATEGIC RELEVANCE FOR AQUAFIL	The topic may have a significant economic impact (positive or negative) on Aquafil activities in the medium term (2-5 years or more)
REFERENCE TO THE TOPIC IN AQUAFIL POLICY	The topic is treated in the documentation relating to the Group's policies (e.g. Code of Conduct, The Eco Pledge, Use of Chemical Agents Policy)
EXISTENCE OF CERTIFICATIONS OR VOLUNTARY INITIATIVES RELATING TO THE TOPIC	Certifications or activities have already been achieved or planned relating to the topic
TOPIC SUSCEPTIBLE TO GENERATING RISKS	The topic, if not properly managed, may lead to tangible or intangible risks for the Group (e.g. waste management, environmental regulations compliance, social and labour rights)
TOPIC GENERATES POSITIVE OR NEGATIVE IMPACTS	Through Aquafil activities, the topic generates a positive or negative impact on the environment, the local area or local communities.

Prioritisation by the Committee entails:

- The analysis of each topic selected on the basis of the five assessment criteria (Table 7);
- For each assessment criterion, the Committee assigns the sustainability topic a score ranging from 1 to 3, where 1 indicates little relevance and 3 high relevance for Aquafil.

The average of scores assigned to each criterion produces the topic's overall score (varying between 1 and 3) and, consequently, its priority for the Group.

STAKEHOLDER ENGAGEMENT

In the second step (stakeholder engagement), the Committee selects a sample of internal and external stakeholders (Figure 5) to be engaged via closed-question questionnaires.

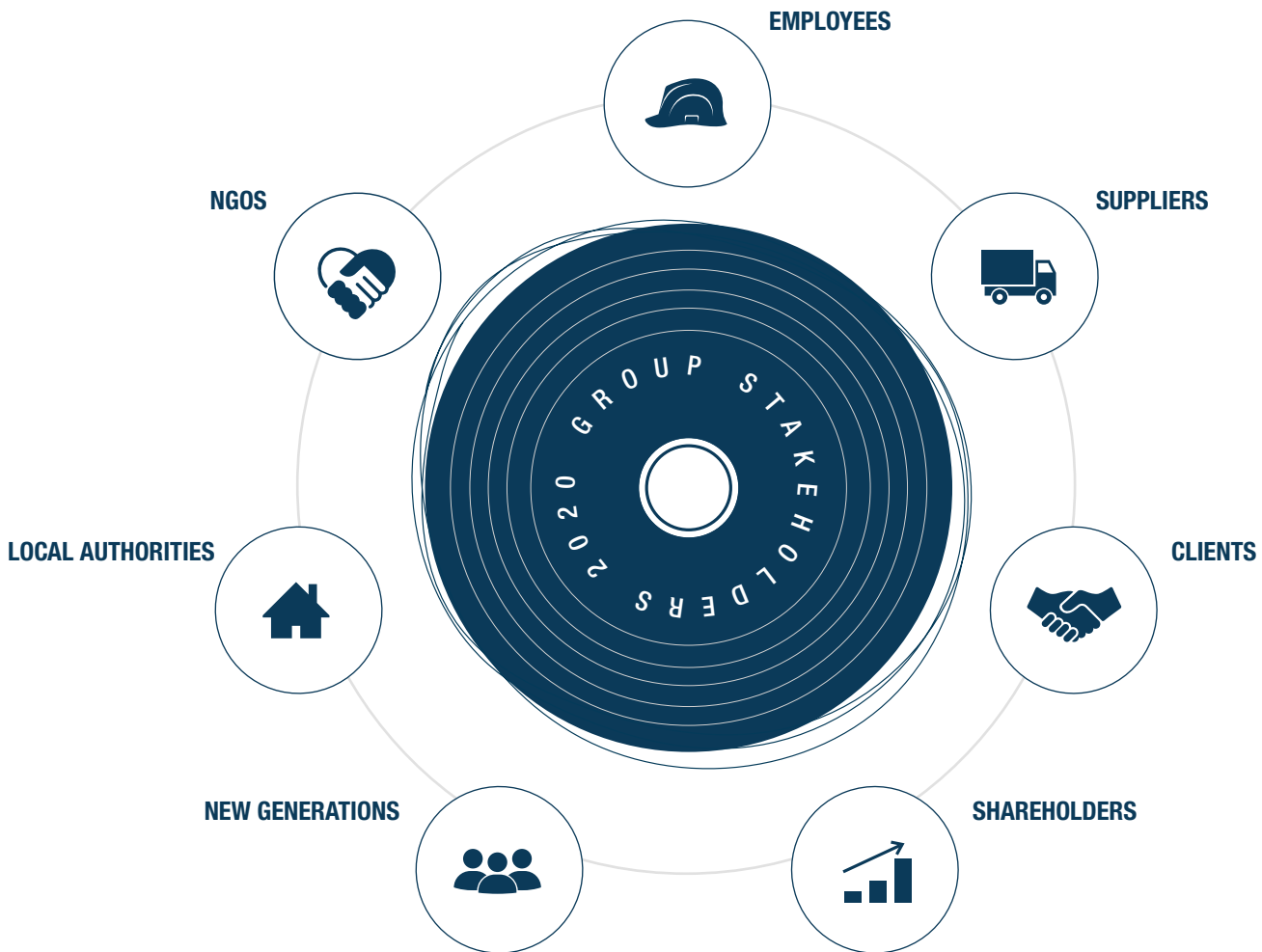
This engagement is carried out whenever there is a significant change in the Group's structure or organisation, or following particular events occurring in the socio-economic context in which the Group operates.

In 2020, the materiality analysis was updated to account for possible changes in reporting priorities as a result of the global COVID-19 pandemic.

Stakeholders are invited to rate the sustainability topics on which they would like to receive more information from Aquafil, giving each sustainability topic a rating ranging from 1 (not very interested in receiving information) to 3 (interested in receiving information).

In total 178 stakeholders were contacted and the overall response rate was 42%.

Figure 5 - GROUP STAKEHOLDERS (2020 ANALYSIS)



PREPARATION OF THE MATERIALITY MATRIX AND SELECTION OF "MATERIAL" ISSUES ON WHICH TO FOCUS REPORTING.

The third step (choice of "material" topics) is a synthesis of the first two. Prioritisation and stakeholder engagement make it possible to prepare Aquafil's sustainability materiality matrix, which identifies the "material" topics, namely those that are important for both Aquafil and its stakeholders (Figure 6).

All topics with a relevance score for both Aquafil and its stakeholders of more than 2 were considered material (Figure 6). In this way, the process made it possible to identify 25 relevant topics grouped as follows: 3 linked to economic aspects, 8 linked to environmental aspects and 14 linked to social aspects.

The review of the materiality analysis carried out in 2020 identified an additional material topic compared to the previous year, in the social sphere (diversity and equal opportunities). Although this had not previously been found to be material, it was still addressed in previous versions of the non-financial statement.

Table 8 shows the association of the sustainability pillars declared in THE ECO PLEDGE® with the material topics. The three economic topics that emerged as material, concerning economic performance, fair competition and anti-corruption, are not associated with any pillar since they are critical transversal topics across all of Aquafil's activities.

Table 8 - LINK BETWEEN AQUAFIL'S SUSTAINABILITY PILLARS AND THE MATERIAL TOPICS

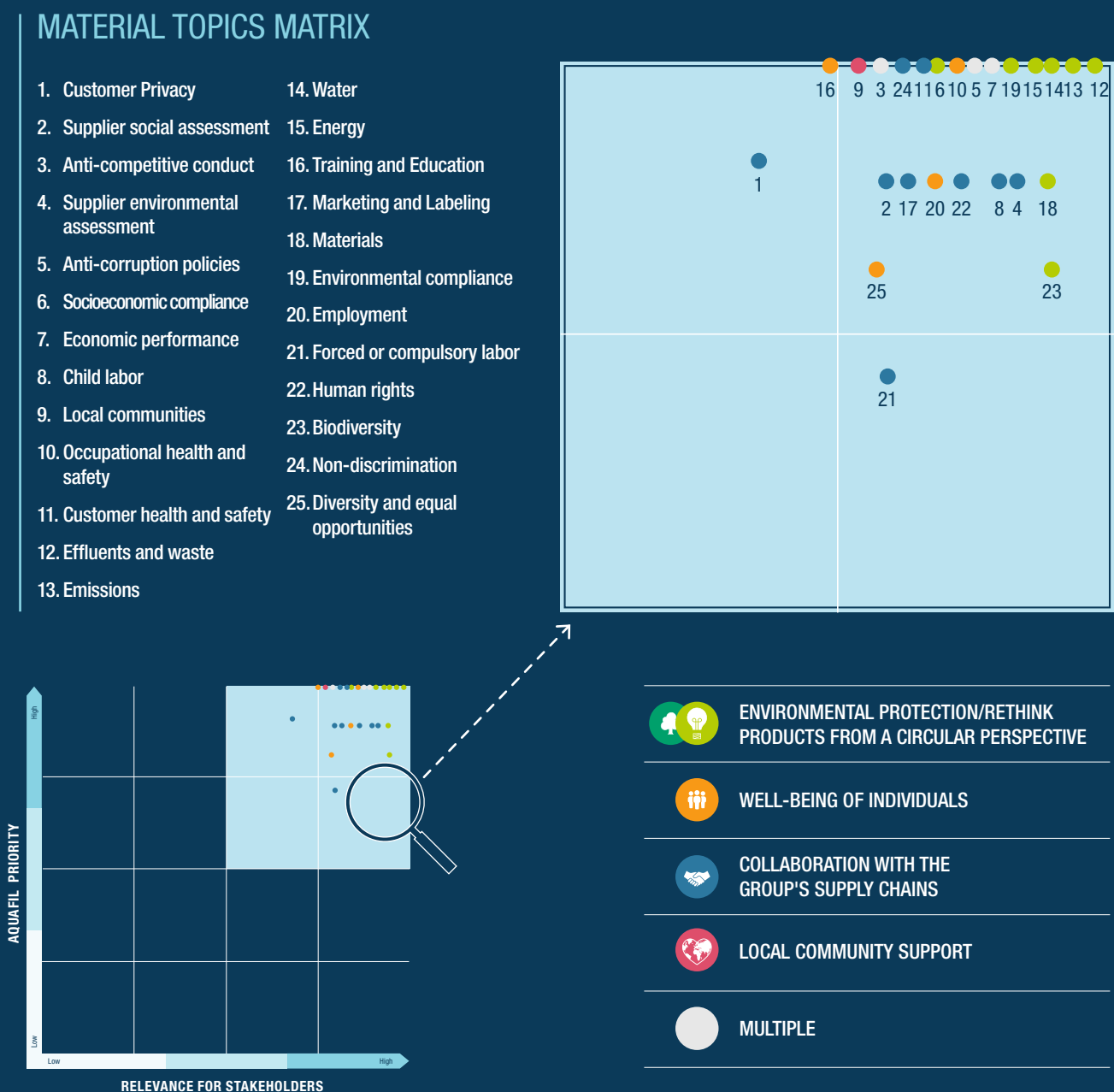
GUIDING PRINCIPLES - THE ECO PLEDGE®	MATERIAL TOPICS
 RETHINKING OF PRODUCTS FROM A CIRCULAR PERSPECTIVE	Raw materials
	Energy consumption
	Water consumption
	Waste production
 ENVIRONMENTAL PROTECTION	Management of greenhouse gas emissions
	Biodiversity
	Environmental compliance
 WELL-BEING OF INDIVIDUALS	Worker health and safety
	Training of workers
	Employment policies
	Diversity and equal opportunities
 COLLABORATIONS WITH THE GROUP'S SUPPLY CHAINS	Supplier environmental assessment
	Supplier social assessment
	Socio-economic compliance
	Child labour
	Forced labour
	Non-discrimination
	Human Rights
	Customer health and safety
	Customer privacy
	Labelling and marketing
 LOCAL COMMUNITY SUPPORT	Local communities

THE MATERIALITY MATRIX

The Materiality Matrix identifies the relevant topics both for Aquafil and for the stakeholders. The relevance for Aquafil is reported on the vertical axis, while the level of influence that the management of these topics exercises on the activities and decisions of the stakeholders involved in the analysis is reported on the horizontal axis.

The upper right quadrant covers the material topics, outlined in this Report, and whose management is a strategic priority for Aquafil

Figure 6: MATERIAL TOPICS MATRIX OF THE AQUAFIL GROUP



2.2.3. Process completeness and review

The results of the previous phases are examined by the work group established by the Committee to determine whether the “material” environmental, economic and social topics could actually affect Aquafil’s ability to create value.

The process is reviewed and updated periodically, both in terms of prioritising the identified issues and the composition of the stakeholder panel, to ensure that it is always aligned with the company’s policies and mission.

Thus, all aspects deemed non-material, having a score lower than or equal to 2 in the matrix, are also subject to periodic review by the Sustainability Steering Committee.

2.3. Compliance with regulations

Compliance with applicable regulations and the ethical principles guiding the Group’s activities is fundamental for guaranteeing Aquafil’s duties and responsibilities towards all of its stakeholders. To prevent all illicit conduct, the Group has developed its own Code of Conduct, and applies the Organisational Model, pursuant to Legislative Decree n. 231/2001, drawn up and implemented by the parent company Aquafil S.p.A.

2.3.1. Organisation, Management and Control Model

(GRI 205-3:2016; GRI 206-1:2016)

The Organisation, Management and Control Model adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules, principles and control activities aimed at ensuring compliance with law and preventing illicit conduct.

In general, the Model has the following aims:

- to prevent and limit to a reasonable extent the possible risks connected with the company's activities, with particular regard to reducing any unlawful conduct;
- to inform all those operating in the name of and on behalf of the Company in the risk areas that they may commit an offence punishable by sanctions, not only invoking their own personal responsibility but also that of the Company;
- to reiterate that the Company does not tolerate unlawful conduct of any kind, irrespective of its purpose, since such conduct not only violates the laws in force but is also contrary to the ethical principles with which the Company seeks to comply.

The Model, adopted by Resolution of the Board of Directors of March 31, 2014, applies to the Italian companies belonging to the Aquafil Group, and is constantly updated based on amendments to the decree and the most current guidelines emerging from case law.

The creation of the Model has followed a specific procedure, mainly aimed at identifying the areas of risk in all company processes and consequently defining the measures to be adopted to keep these risks under control.

The appointment of a Supervisory Board, responsible for overseeing the implementation and updating of the Model, and the drafting of the Company's Code of Conduct, are some of the main measures resulting from the adoption of the Model.

This process has also led to the drafting of a series of protocols aimed at regulating the management of activities related to specific areas, which involves defining the principles of behaviour and the organisational and management control measures aimed at preventing the criminal offences provided for by Legislative Decree No. 231/2001 for each phase of the process and the general responsibilities for each role.

To date the Group has drawn up protocols for the following areas:

- Employee selection and evaluation;
- Budget and accounting;
- Loans and public grants;
- Internal management of criminal investigations and/or proceedings related to business activities;
- Relations with public administration;
- Management of sponsorships and allocation of contributions;
- Verification and inspection;
- Reporting to supervisory boards.

The Model is a tool for raising awareness among all the Company's employees and all the other persons with which it interacts, to ensure they conduct themselves correctly when carrying out their activities. For this reason, and in line with the provisions laid down in Legislative Decree No. 231/2001, Aquafil undertakes to ensure adequate internal dissemination of the Model, including through the implementation of specific training activities.

The attention paid to this area guaranteed, once again in 2020, that none of the Group companies received fines or penalties for violations or non-compliance with regulations regarding the topics managed via the Organisational Model, including those relating to unfair competition and the violation of anti-trust or monopoly laws. Furthermore, no episodes of corruption were reported, and therefore no action needed to be taken.

Moreover, the Company continues to use the online Whistleblowing platform, which may be accessed anonymously and free of charge by employees. On the platform they can report violations of laws or regulations, principles enshrined in the Code of Conduct and other types of acts that may lead directly or indirectly to economic, financial or reputation damage for the Company.

2.3.2. Code of Conduct

(GRI 102-16:2016; GRI 418-1:2016; GRI 419-1:2019)

The Code of Conduct provides ethical and social guidelines for the conduct of all internal, external, temporary and permanent stakeholders.

The Group is committed to promoting the application of the Code among its addressees, guaranteeing its dissemination and the correct interpretation of its contents, and calls on its resources to use it as an operational tool in support of professional decision-making, believing that the application of the Code's contents is an essential condition for the proper management and conduct of all business and activities.

All addressees are required to formally accept the Group's standards of conduct by signing the "Declaration of Acceptance" attached to the Code, and therefore compliance with the provisions of the Code is an integral part of the addressees' contractual obligations. Group Companies must refrain from initiating or maintaining relations with external parties who do not intend to observe the principles contained in this document.

The main directives of the Code of Conduct can be grouped into five areas:

1. Compliance with the law, particularly concerning money laundering, democratic order, terrorism, criminal association, industry and trade, antitrust, imports and exports, and privacy;
2. Loyalty behaviours in relationships with others such as clients, suppliers, collaborators, institutions and public supervisory authorities;
3. Occupational well-being, health and safety,
4. Internal Control relative to the protection and management of privacy, intellectual property and accounting activities;
5. Human resources, including employment policies and the management of conflicts of interest.

The provisions of the Code of Conduct also govern any direct or indirect transfer or free acceptance of gifts, gratuities and any other form of benefit. Specifically, only *"gifts of modest value directly relating to normal commercial activities or courtesy relations, and which do not give the impression of being aimed at acquiring or granting undue advantages"* are permitted.

Thanks to the circulation and application of the Code of Conduct and Organisational Model, in 2020 none of the Group companies received fines or sanctions or other citations for violations or non-compliance with rules or regulations with regard to the topics outlined in the Code and in particular with regards to discrimination and the violation of privacy, unfair competition and violation of antitrust regulations.

2.4. Social topics

2.4.1. Social responsibility for the protection of human rights

(GRI 406-1:2016; GRI 408-1:2016; GRI 409-1:2016; GRI 412-1:2016; SDG 5, 8)

Aquafil's commitment to social policies is clearly defined in the Code of Conduct, a tool which transparently outlines the Group's ethical and values system, declaring its commitment not to accept any kind of behaviour which, directly or indirectly, involves any form of exploitation (e.g. enslavement, forced labour, child labour or exposure of young workers to danger), discrimination or which is detrimental to the human rights of workers in any part of the value chain.

The approach adopted has made it possible to structure a responsible business model to identify, reduce and manage any risks of human rights violations in the exercise of Aquafil's activities, to the benefit and protection not only of the human capital working directly for the organisation but also of the workers involved in the supply chain.

The Group's commitment seeks, through selecting, engaging with and verifying suppliers, to build a virtuous circle; compliance with the Code of Conduct is an integral part of the contractual obligations of all those who work in the name and on behalf of any of the Group companies. Based on the types of supply relations and the checks carried out, to date suppliers at risk of violating ethical requirements or human rights, such as child or forced labour, have not been identified within the reference value chain.

MANAGEMENT OF HUMAN RIGHTS VIOLATION RISKS

In addition to disseminating the Code of Conduct, the Group has launched a series of control tools to monitor activities potentially at risk of human rights violations, specifically:

- Recruitment and evaluation protocols for personnel selection and management;
- Personnel training and provision of information to personnel;
- Analysis of risks associated with individual processes;
- Due diligence policy for supplier selection and management;
- Collaboration with governmental and non-governmental organisations in activities and initiatives aimed at protecting and developing local communities;
- Periodic internal audit activities;
- SA8000 certification process for group companies.

During 2020, thanks to risk prevention, management and control activities, none of the Group Companies received fines or sanctions for violations or non-compliance with human rights regulations. Moreover, no reports or complaints were received, via dedicated channels (in addition to the "whistleblowing" platform), regarding non-compliance with ethical requirements relating to the Group or its supply chain.

VOLUNTARY CERTIFICATION PROCESSES UNDERTAKEN IN THE SOCIAL ACCOUNTABILITY AREA: SA8000

The Group has identified the SA8000:2014 standard as the best tool to enhance its commitment to the protection of workers and human rights. By adopting this certification scheme, Aquafil has set itself the objective of embarking on a positive and systematic pathway that will lead, in addition to compliance with the regulations, to the continuous improvement of ethical principles and social performance, including in the supply chain.

In 2019, a process was initiated that defined the general strategies for the Group's social responsibility requirements and led to the SA8000 certification of the Italian company Aquafil S.p.A, issued by the certification body DNV-GL. In 2020, the Group maintained its commitment to this approach, extending the social responsibility system to the Italian company Tessilquattro S.p.A and the Croatian company AquafilCRO d.o.o.

To enable the implementation, maintenance and extension of the SA8000 management system, it was critical to engage all stakeholders.

Employees are the main beneficiaries and they have been involved through targeted information and training activities and inclusion in company committees, such as ethics and health and safety committees set up by the various companies.

The supply chain was engaged, according to the degree of control and risk of individual suppliers, through various cooperation actions, from sharing the SA8000 policy to seeking commitment to compliance with the requirements of the standard, in addition to the code of conduct.

As part of the project, certified companies have made a reporting tool ("SA8000 Reporting") available to anyone who becomes aware of situations that may appear not to comply with the ethical values and standards of conduct set out in the Management System. This tool, which may be accessed from the company's website, can be used to anonymously report violations of social responsibility issues, such as child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary procedures, working hours and remuneration, to specially appointed internal committees.

In addition to SA8000 certification, over the years the Aquafil Group has adhered to other voluntary social certification programmes. One example is the Croatian company AquafilCRO, which in 2018 signed the "Diversity Charter Croatia", a voluntary and internationally active initiative to protect diversity. The charter's member organisations are committed to upholding principles of respect for diversity and non-discrimination in the workplace, to adopting specific policies and to regularly communicating relevant progress in this regard.

2.4.2. Personnel management

Well-being is one of the pillars of Aquafil's sustainability plan, taking the form of guaranteeing all its employees' health and safety, contractual stability, loyalty through benefits and incentive mechanisms, personal and professional growth through training plans and respect for diversity and equal opportunities.

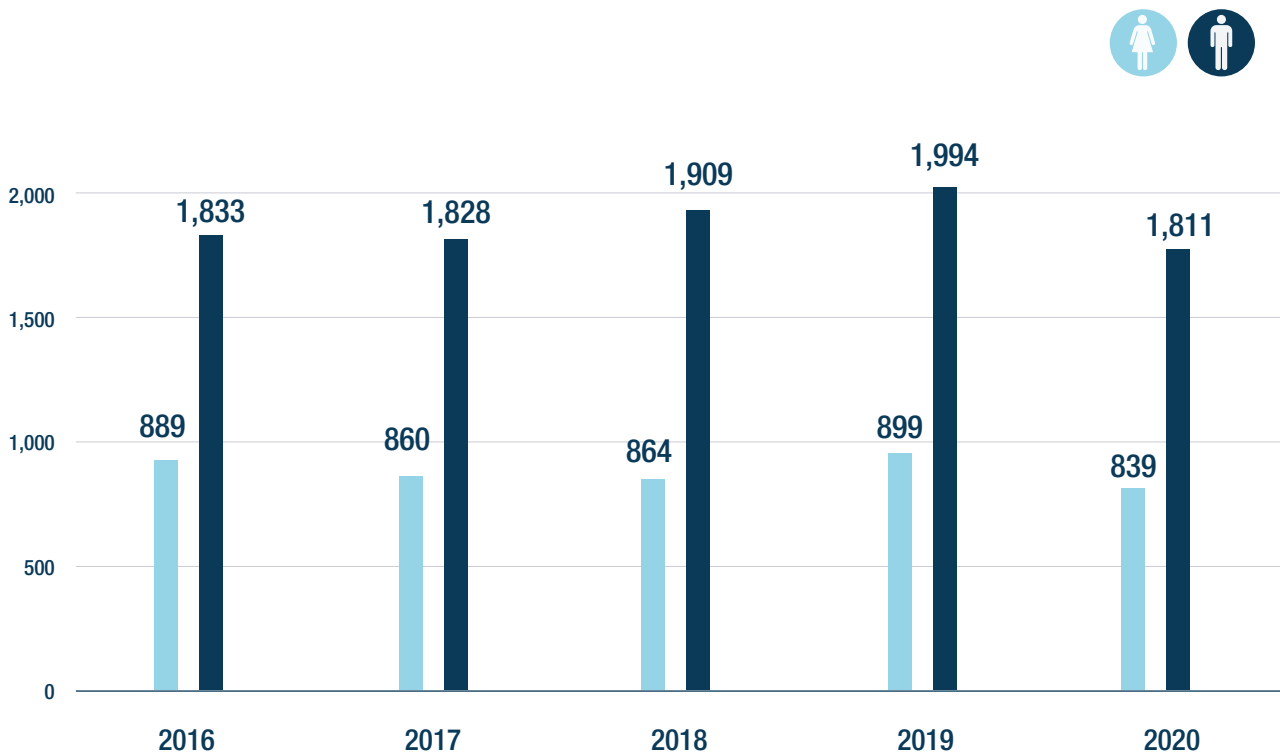
2.4.2.1 Aquafil personnel

(GRI 102-8:2016; GRI 405-1:2016; SDG 5, 8)

At December 31, 2020, the Group has 2,650 employees⁴, more than 8% less than in 2019. The figure is explained by the decommissioning of the Aqualeuna site and the reduction in workforce linked to the COVID-9 pandemic, which has led, where possible and necessary, to a reduction of the workforce in line with the drop in production.

The proportion of female employees, making up about 32% of the total in the Group, is almost the same as in 2019 and previous years (Figure 7).

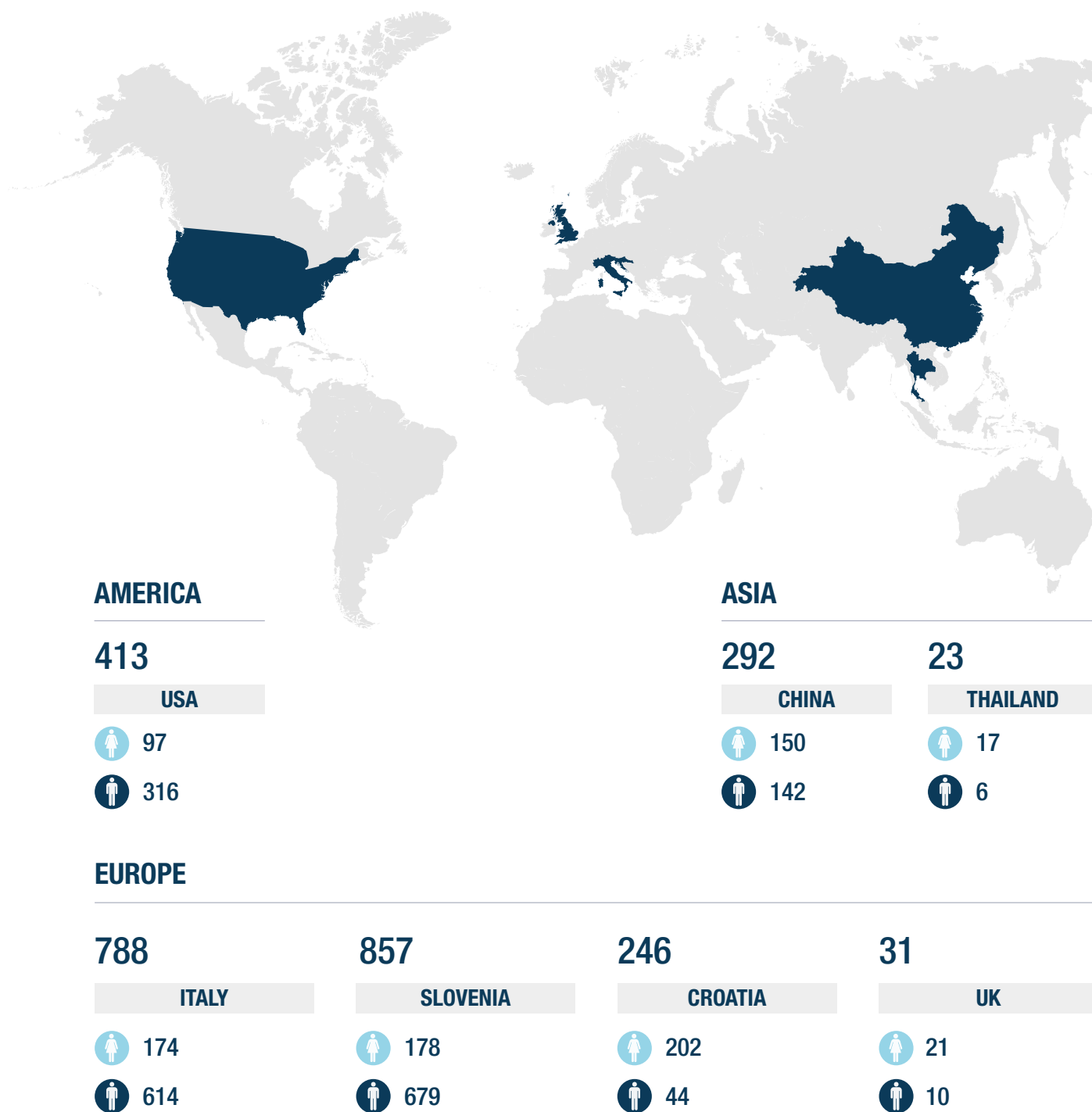
Figure 7 - THE GROUP'S EMPLOYEES BY GENDER, 2016-2020.



⁴ Temporary workers (hereinafter also "contractors") are not included

Approximately 78% of the workforce is employed in Italy, Slovenia and the US (Figure 8), particularly in the three Italian, four Slovenian and five US factories.

Figure 8 - GEOGRAPHICAL DISTRIBUTION OF THE WORKFORCE IN 2020 BY GENDER



The breakdown of personnel by company role has also remained relatively constant over the years, as has gender equality, which is guaranteed for every corporate role (Figure 9).

Finally, Table 9 shows the breakdown of Group employees by age bracket, as well as by gender and company role. For information on the age of members of governance bodies, reference should be made to the Corporate Governance Report (approved by the BoD on 11/3/21, to be published on the www.Aquafil.com website) - paragraph 4.2. Composition (as per Article 123-bis, paragraph 2, letter d), CFA) - 4.2.1. Members of the Board of Directors.

The Group has embarked on a journey to encourage increased female representation at all levels of the company, and between August 2020 and January 2021 this has resulted in four new female Executives. This result, whose significance is increased by the inclusion of "Gender Diversity and Equal Opportunity" among the Group's material topics, will, however, be reported only in part in the data of this Statement. Since the appointment of three of the four new Executives occurred on January 1, 2021, this change will be represented in line with the reporting period, in 2021.

Figure 9 - BREAKDOWN OF PERSONNEL BY COMPANY ROLE AND GENDER (2019 AND 2020).

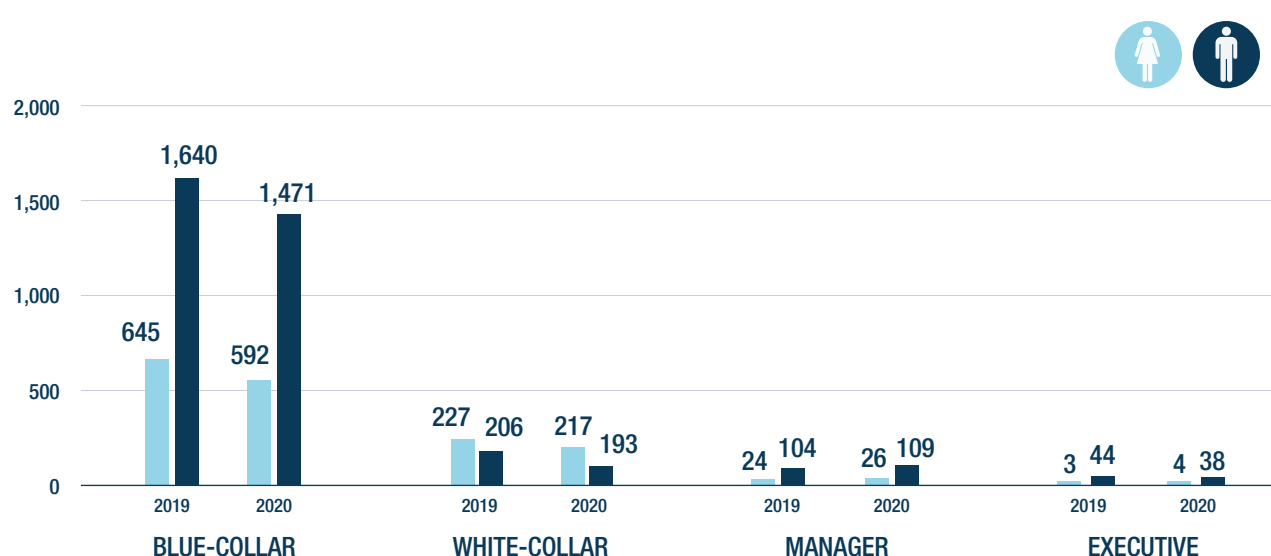


Table 9 – BREAKDOWN OF PERSONNEL BY COMPANY ROLE, GENDER AND AGE (2020)

	<30		Between 30 and 50		>50	
	Female	Male	Female	Male	Female	Male
Blue-collar	63	251	365	874	164	346
White-collar	29	17	140	126	48	50
Manager	1	1	16	59	9	49
Executive	0	0	3	13	1	25

2.4.2.2 Contracts and remuneration

(GRI 102-8:2016; GRI 102-41:2016; GRI 405-2:2016; GRI 401-2:2016; SDG 5, 8, 10)

The Group's personnel are employed in full compliance with the regulations in force in the countries in which it operates, and therefore no form of illegal employment or employment of foreign workers without a residence permit is tolerated. In addition, around 70% of the contracts in place are collective agreements, while the remaining 30% are not included in collective agreements as these do not exist in the countries concerned (USA and Asian countries).

The Group is committed to consolidating employment relationships through stable forms of contract, with a preference for open-ended contracts, which in 2020 will account for around 90%⁵ (Figure 10 and Figure 11). The only exceptions to this policy are driven by production needs to meet temporary above-average market demands or by special local labour market regulations.

Table 10 shows the geographical distribution of the two contract types (fixed-term and permanent), while Table 11 highlights full-time and part-time contracts by gender.

⁵ The difference in the last two years compared with 2018 is mainly due to a change in the classification of US contracts.

Figure 10 – PERSONNEL BY CONTRACT TYPE, 2016-2020.

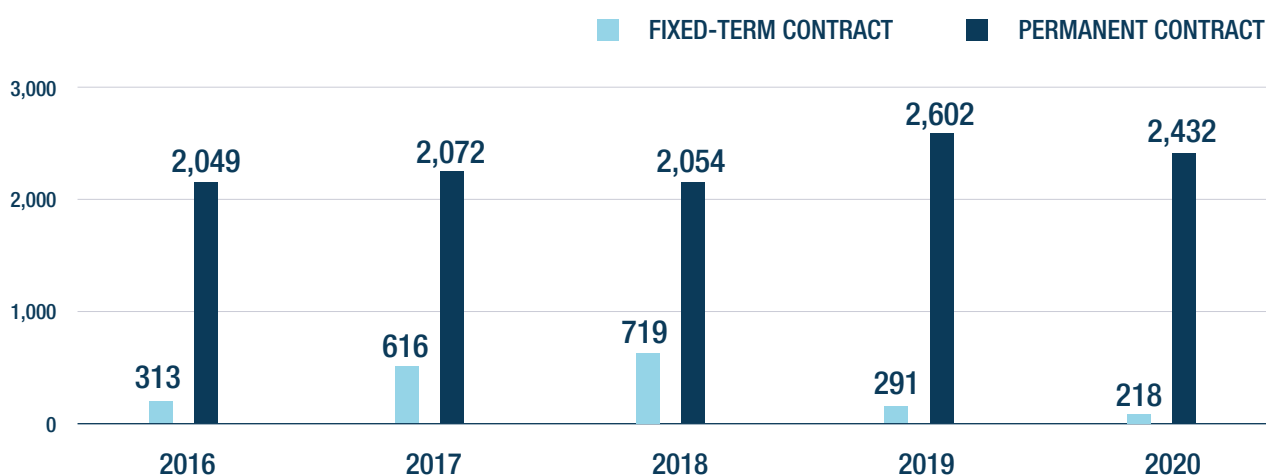


Figure 11 - GROUP EMPLOYEES IN 2020 BY CONTRACT TYPE AND GENDER



Table 10 - CONTRACT TYPE BY GEOGRAPHICAL AREA (2020)

	Italy	Croatia	Slovenia	USA	China	Thailand	UK
Full-time contracts	787	245	850	413	83	23	31
Fixed-term contracts	1	1	7	0	209	0	0

Table 11 - GROUPINGS OF FULL-TIME AND PART-TIME CONTRACTS BY GENDER (2020)

	Male	Female
FULL-TIME	1,753	776
PART-TIME	58	63

The personnel remuneration system is based on the principles of equity, equal opportunities and meritocracy, in line with the Group's core values. The remuneration policy is designed to attract, motivate and value people based on required professional skills, relevant experience, demonstrated merit and the achievement of set goals. The Group also guarantees fair pay among its personnel, without discrimination or exclusion, by periodically monitoring job category wage indices.

Table 12 shows, for each Group company, the ratio between the average female and average male remuneration within the same professional category. The annual gross salary has been considered excluding its variable components (e.g. shift premiums or overtime) and the economic value of any benefits. The label “not applicable” indicates the presence in the professional category of women only or of men only (the gender is indicated in brackets), while the “dash” indicates that there are no personnel in that category (either male or female).

The following table includes some figures that exceed 100%, for the locations and roles in which women have accrued more seniority in the company and therefore their average salary level exceeds that of men. This is the case at Aquafil Asia Pacific, for example, where with the exception of the Plant Manager role, which is held by a man, the rest of the more complex organisational positions are held by women, and this is reflected in salaries.

In line with market trends, the remuneration system integrates two main collective incentivisation tools: benefits and performance-related variable remuneration. Both are differentiated by company and professional category, but exclude discretionary and personality-based award criteria.

Benefits comprise social security, insurance, health and welfare plans. For the latter, specifically, several Group companies provide corporate-wide welfare systems for homogeneous categories of employees and their families. These systems mainly consist of the offer of socially purposed non-monetary goods and services that employees can choose according to their personal or family needs.

The variable remuneration system is based on the short or long-term profitability and productivity goals of the Companies or the Group, and aims to promote employee motivation and engagement in achieving company results.

Table 12 - RATIO BETWEEN WOMEN'S AND MEN'S SALARY BY COMPANY AND PROFESSIONAL CATEGORY, 2020

Group company	Executive	Manager	White-collar	Blue-collar
AQUAFILCINA	83.9%	Not applicable (women)	83.7%	95%
AQUAFILCRO	-	57.3%	107.7%	84.3%
TESSILQUATTRO	-	Not applicable (men)	71.5%	97.4%
AQUAFILUSA	Not applicable (men)	88.7%	80.4%	84.8%
AQUAFILCARPET RECYCLING #1	-	67.6%	71.4%	94.9%
AQUAFILSLO	80.5%	120.3%	79.4%	93.8%
AQUAFIL	95.1%	91.4%	81.1%	97%
AQUAFILUK	Not applicable (men)	Not applicable (men)	Not applicable (women)	90.3%
AQUAFILASIAPACIFIC	-	Not applicable (men)	199.3%	111,9%
AQUAFILCARPET RECYCLING #2	-	Not applicable (men)	-	Not applicable (men)
AQUAFIL O'MARA	Not applicable (men)	95.3%	64.1%	89.2%



2.4.2.3 Training

(GRI 404-1:2016; SDG 4, 5, 8, 10)

Growth, development and motivation of employees are essential elements for Aquafil, which in this regard has launched periodic and structured training courses in five areas of interest:

- Technical, to develop specialised skills by job, role or category;
- Human rights and anti-corruption systems, concerning the principles enshrined in the Ethics Code;
- Health and safety, to spread a culture of prevention and provide appropriate updates;
- Environmental, aimed at spreading knowledge about mandatory environmental issues, such as compliance with environmental regulations, and voluntary standards, such as certifications, reporting, etc.;
- Language, aimed at developing knowledge of foreign and local languages.

Training initiatives are delivered on the basis of annual plans and are intended to ensure compliance with regulatory updates, retraining and the development of the skills needed to achieve the short- and long-term corporate goals. In addition to the planned activities, according to production needs, special training courses are offered to newly hired personnel in order to train them to autonomously operate equipment in full compliance with safety, quality and environmental standards. This is one of the main reasons why total training hours have varied significantly over the years.

Table 13 indicates total training hours delivered in the last 5 years (2016-2020), while Table 14 details training hours delivered in 2020 by gender and company role.

Training hours reduced in 2020 compared to 2019 due to several factors related to the COVID-19 pandemic, such as:

- The inability to hold in-person training courses due to regulations governing social distancing and the introduction of remote work for many employees;
- The impossibility of participation in training courses by employees benefiting from the Temporary Lay-Off Fund;
- The inability, caused by the pandemic, to take on new employees. This affected the training delivered, as a substantial portion of the company's training is for new employees.

Table 13 - HOURS OF TRAINING BROKEN DOWN ACCORDING TO TOPIC FROM 2016 TO 2020

Type of training	2016	2017	2018	2019	2020
Technical	58,980	49,239	22,535	21,041	5,421
Human rights and anti-corruption system ⁶	-	-	-	326	230
Security	11,165	25,015	17,032	10,573	5,608
Linguistics	6,045	4,724	5,172	5,643	2,695
Environmental	227	418	4	348	226
TOTAL	76,417	79,395	44,743	37,932	14,179

⁶ Training hours provided in years prior to 2019 are included in the technical area.

Table 14 - HOURS OF TRAINING BY ROLE AND GENDER (2020)

Type of training	Executive		Manager		White-collar		Blue-collar	
	Male	Female	Male	Female	Male	Female	Male	Female
Technical	30.5	6.0	401.8	120,5	892.2	311.5	3,270.5	388.3
Human rights and anti-corruption system	1.0	0.0	6.0	1,0	11.0	6.0	145.5	59.0
Security	30.5	0.0	190.8	19.0	326.9	254.5	3,181.7	1,604.2
Linguistics	6.5	0.0	294.0	90.0	935.0	730.5	433.5	205.5
Environmental	0.0	0.0	3.0	0.0	9.0	3.0	194.8	16.0
Total hours/employee	68.5	6.0	895.6	230.5	2,174.1	1,305.5	7,226,0	2,273.0
Average hours/employee	1.8	1.5	8.2	8.9	11.3	6.0	4.9	3.8

2.4.2.4 Personnel and corporate welfare initiatives

Aquafil is committed to ensuring the well-being of its employees through a variety of initiatives: from welfare measures and initiatives for the protection of work-life balance to the protection of the sense of belonging and social relations between employees, including during the period of remote working, and encompassing activities to raise awareness of environmental issues.

WELFARE MEASURES

In order to encourage a balance between work, family and social relations, the Group has set up welfare plans offering services of a non-monetary nature, from which employees can benefit on a voluntary basis within the budget allocated.

This includes study and parenting support services, supplementary pension provision as well as measures for leisure and special reductions in commercial applications. From 2019, in addition, supplementary corporate contract results bonuses can be converted into welfare benefits.

The Group has launched interesting initiatives aimed at encouraging generational handover, especially in Italy and Slovenia. In Italy, for example, Aquafil has joined the Generational Relay plan promoted by the Ministry of Labour. This initiative aims to voluntarily reduce the working hours of employees close to retirement while supporting their income, in order to favour new hires of young people or the transformation of fixed-term contracts into permanent contracts. In Slovenia, the Group offers concessions for joining a supplementary pension fund by subsidising a large part of the premium.

Also worthy of note are the initiatives implemented by the Group to protect the health of its employees and promote a policy to prevent certain illnesses. Specifically, the Group has concluded agreements with appropriate health entities to ensure that employees can have regular health checks, with all costs borne by the company. Examples include flu vaccinations offered to all the employees of the Croatian, Slovenian and US plants of Aquafil O'Mara, supplementary health insurance offered to AquafilSLO employees, specific disease prevention initiatives envisaged by AquafilCRO, and medical insurance offered to employees of the Chinese plant, in addition to state contract provisions.



THE COMPANY'S SOCIAL INTRANET

In 2020 Aquafil launched its social intranet, marking an important step in adopting an increasingly open and participative corporate culture.

The social intranet has two aims: firstly, it simplifies and speeds up communications between the company and employees, and secondly it seeks to increase the sense of belonging to the Group by launching a genuine community process between employees based on sharing existing projects and the direct involvement of colleagues.

It takes the form of a digital notice board with key areas of activity: relating to staff, mobility, IT and news. There is also a services area that groups together all the digital tools available to workers, in the form of a catalogue of “products”. In addition, a strategic section, currently in development, promotes and simplifies the group’s work by providing, on request, collaborative spaces for specific work groups. Group chat, a shared drive folder, calendars for team members and many other features are included.

RAISING AWARENESS OF ENVIRONMENTAL ISSUES

Following the announcement of the European Union’s ban on the sale of single-use plastics, in 2019 Aquafil Group launched a project, to gradually eliminate such products from its internal processes by 2021, the year of entry into force of the related European Directive. In Italy the project led to the introduction of compostable drinking cups, the distribution of reusable water bottles to employees and the replacement of plastic bottle water coolers with dispensers connected to the mains water supply.

Other locations around the world are also pursuing this commitment. AquafilCRO, for example, has promoted the use of reusable objects or materials as alternatives to plastic, leading to the replacement of plastic bottles for water and other drinks with glass bottles, cans or TetraPak containers. In 2020 the Croatian office also launched a collaboration with catering firms that provide take-away meals for employees, with reusable cutlery instead of single-use plastic cutlery.

Aquafil USA and Aquafil O’Mara have invested heavily in the replacement of plastic bottles, including by distributing reusable bottles. AquafilSLO also introduced the use of reusable porcelain cups as a replacement for disposable cups.

Among other environmental issues, Aquafil Group makes a particular commitment to recycling. For example, Aquafil USA periodically sets goals to increasingly reduce the amount of unsorted waste destined for landfill and rewards employees monetarily for achieving them.

2.4.2.5. Protection of worker health and safety

(GRI 403-9:2018; SDG 8)

Aquafil invests constantly in initiatives to protect health and safety at the workplace and in working conditions. In 2020 this subject was an absolute priority because of the COVID-19 pandemic. The emergency situation forced the Company to take exceptional measures both to protect its employees, by restricting opportunities for the virus to spread, and to comply with the restrictions in force at any particular time under the various government decrees that required changes to usual working conditions.

MEASURES IN RESPONSE TO THE COVID-19 PANDEMIC

The start of the COVID-19 pandemic involved the Aquafil Group directly from the outset because of its plants in China, where the virus spread earlier than in Europe and, in general, the other areas in which the Group operates. When the emergency started in China, Aquafil therefore took all the measures that were imposed locally, and this enable the company to acquire valuable experience in the measures that would subsequently become necessary in its other facilities. As the pandemic spread throughout the rest of the world this experience also enabled it to take the appropriate measures before they were imposed by governments or, in any event, extremely early, maximising their effectiveness in terms both of protecting the health of employees and in keeping its plants operational.

From an organisational viewpoint, the company immediately set up a crisis unit at its headquarters which assessed the situation daily in order to ensure it reacted appropriately to the evolving health emergency and shared updates from all the Group's sites. In addition to the mutual exchange of information, supply channels were activated between the Group's various sites to send or receive protective equipment or other materials required, in line with availability on various markets.

In relation to the operations of its plants, the Group was able to limit interruptions to production processes in those activities considered to be essential, partly thanks to the adoption of all the measures necessary to maintain the plants operational and at the same time to comply with social distancing rules.

Therefore, the main change was the adoption of remote working by the majority of white-collar staff (over 80%) at all sites both in Italy and internationally. This decision was accompanied by the provision of suitable technological and training equipment for all personnel involved, which meant both equipping employees with IT tools (computers as well as other equipment such as printers) and also ensuring that these were properly configured to enable remote working.

This involved, for example, installing appropriate protection against cyber attacks, and communicating all the information required to ensure that they would operate correctly. In addition to this, the Group was committed to maintaining opportunities for employees to interact socially, despite working remotely. Recognising the importance of these opportunities, online events were organised for sharing experiences or for entertainment. These made it possible to maintain robust social relationships even at this time of crisis and enforced social distancing.

This way of working was gradually reduced, enabling a return to offices, at least partially, once all the measures had been taken to ensure the safety of working environments. It was established that remote working would remain a temporary measure designed to address the situation created by the pandemic, which currently makes it impossible for all employees to be present in offices. Workers have therefore been invited back to the workplace in a way that complies with the provisions on social distancing, which currently permit the presence of around 50% of the white-collar workforce. As it is impossible to predict the evolution of the pandemic, and therefore of government strictures, it is currently not possible to lay down precise plans for the return of employees. Therefore, there can be no certainty about the timeframe for a full return to in-person working.

The measures taken in the various plants may be divided into:

- » **Communication and training measures**, to share knowledge available on the COVID-19 virus, symptoms and modes of transmission, in order to indicate comprehensively and effectively the actions to be taken to limit infections. These measures include, for example, the display of specific information posters for the various company environments, dissemination using the Group intranet and other channels of the rules of conduct to be observed, the setting up of specific training activities on the subject and the opening of communication channels to be used to request information.
- » **Measures to reorganise production activities**, to guarantee, as far as possible, the necessary social distancing at all times. This category includes both remote working, as mentioned above, and the reorganisation of work shifts to prevent personnel working on different shifts from coming into contact, specific rules adopted for places where people usually gather, the creation of different routes and access points, the creation of rotas for access to the canteen, the closure of changing rooms and the suspension of work trips.
- » **Measures to protect and monitor employee health**, which include the distribution of masks, gel and other personal protective equipment to all personnel, temperature measurement and sanitising of environments.
- » **Control measures for parties external to the company**, for whom appropriate communications and provisions were put in place. These measures also include initiatives taken to manage cross-border trade.

The actions taken include the updating of the bio-risk assessment by the Group. The company took this measure voluntarily despite the fact that the COVID-19 pandemic was not among its own specific risks, but it nevertheless carried it out to ensure improved monitoring of the ongoing emergency.

All the measures taken have enabled the Aquafil Group not only to pass all the checks carried out by the various authorities but also, and above all, to keep the situation always under control, reducing infections to a minimum and preventing the outbreaks within the company.

This commitment has also been accompanied by large donations of protective equipment not only to its own employees but also to healthcare facilities and other entities in the regions where the Group's plants are located, often distributed through the local authorities to ensure that they reach those in greatest need.

Finally, despite the obvious critical nature of this time globally, the Group is aware of the opportunities that have emerged in some areas, such as the adoption of remote working as a possible measure to increase work flexibility and therefore the company's capacity to adapt to circumstances. Although there is currently no intention to maintain remote working as a permanent form of working applicable to everyone, thanks to the current adoption of all the infrastructure required it may in future be considered in some situations, such as in response to particular needs of employees and in order to achieve improved benefits for both parties.

WORKER HEALTH AND SAFETY MANAGEMENT SYSTEM

In line with the sustainability policies, the Aquafil Group has for many years had a health and safety management system, to ensure:

- Risk assessment and proper risk prevention;
- Training of workers that is adequate, updated and specific to individual roles;
- The appointment of a Company Doctor;
- Health surveillance activity;
- The development of systems for reporting possible dangers;
- The rapid production of emergency plans if needed or where non-compliance has been detected during activities or during checks or inspections;
- The dissemination of a safety culture.

HEALTH AND SAFETY COMMITTEES

Workers are recognised as the main actors in the management of health and safety issues, and worker consultation plays a fundamental role in the Group's management approach. This may be seen in the establishment in each Group company of specific interdisciplinary committees involving workers via designated representatives, who play an active role in the prevention and protection service.

The committees:

- Identify and periodically assess the risk management of occupational health and safety;
- Analyse and manage accidents and injuries, sharing experiences with the other Group companies;
- Assess the adequacy and effectiveness of the safety system, with respect to performance indicators, first aid activities, emergency treatments, and so on.

The SA8000 certification project has also led the company Aquafil S.p.A. in Italy to establish an additional Health and Safety Committee, comprising both managers' and workers' representatives, meeting twice a year and coordinating with the Ethics Committee regarding the management of health and safety issues.

SAFETY FIGURES

The Group systematically monitors and assesses occupational accidents, injuries and illnesses in its factories.

During 2020, no workplace deaths were reported. Table 15 shows the trend in frequency⁷, severity⁸ and risk⁹ from 2016 to 2020.

⁷The frequency index correlates the number of occupational accidents to the extent of exposure to risk (it is calculated by dividing the number of accidents resulting in over-3-days absence from work multiplied by 1,000,000, compared to the number of hours worked)

⁸The severity index correlates the severity of the accident to the extent of exposure to risk (it is calculated by dividing the number of days lost over 3 days multiplied by 1000, compared to the number of hours worked)

⁹The risk index correlates the frequency and severity indices

When reporting the parameters required to calculate the indices (hours worked, number of accidents and number of days lost) both employees and temporary staff are included, since Aquafil considers it fundamental to safeguard the health and safety of all those working in the Group, irrespective of the nature of their contracts.

Finally, data with an impact on worker privacy, such as work limitations, requirements and health monitoring data, are managed in compliance with applicable privacy and confidentiality legislation and none of the information collected is used for the purposes of retaliation or unfavourable treatment of workers.

Table 15 - ACCIDENTS AND WORKING DAYS LOST DUE TO ABSENCE FROM 2016 TO 2020, WITH RELATIVE FREQUENCY (IF), SEVERITY (IG) AND RISK (IR) INDEX VALUES.

Year	Hours worked	Injuries >3 gg	Working days lost	IF	IG	IR
2020	4,518,124	21	645	4.65	0.14	0.66
2019	5,330,989	15	971	2.81	0.18	0.51
2018	5,126,261	36	1,144	7.02	0.22	1.57
2017	5,024,197	45	1,330	8.96	0.26	2.37
2016	4,860,829	26	995	5.35	0.20	1.09

In order to spread and strengthen, year on year, a culture of safety and awareness among workers, the Group acts on two fronts:

- by organising training initiatives on safety and awareness-raising campaigns
- by implementing important structural interventions to ensure safe work environments and appropriate equipment for all its personnel.

The aim is to reduce accidents caused by human factors, which is the most common cause of injury at the Group's plants. In addition to the preventive actions referred to, near-miss accidents are reported and analysed and risk is assessed and reviewed.

In 2020, over 5 thousand hours of occupational health and safety training were delivered (Table 13 and Table 14). In addition to the initiatives adopted within the workplace, there are corporate welfare measures that are just as important for promoting the health and safety of employees, including, for example, insurance cover for workers outside work (Paragraph 2.4.2.4).

2.4.3. Relations with stakeholder

(GRI 102-9:2016; GRI 102-12:2016; GRI 102-13:2016)

For Aquafil, maintaining strong relationships with its local and international stakeholders is a crucial element for the proper functioning of its business model and sustainability plan.

Stakeholders are actively engaged and consulted by the Group for the definition and reporting of material topics (see paragraph 2.2).

The following paragraphs report some of the most significant initiatives undertaken by Aquafil to engage stakeholders.



2.4.3.1 Supplier selection and engagement

(GRI 308-1:2016; GRI 414-1:2016; SDG 5, 8)

The Group selects its suppliers via a due diligence process based on objective and documentable criteria. The supplier qualification process seeks the right balance between economic advantages, quality and performance and compliance with the requirements of voluntary certifications. Much attention is paid to product transparency and the origin of the products purchased, in order to avoid purchasing products of illicit origin.

As part of the social responsibility and SA8000 certification process, initiated in 2019, due diligence regarding suppliers has been extended to include a structured social responsibility assessment, including:

- The mapping of suppliers based on type of supply and geographical location;
- Risk analyses and adequate engagement and monitoring actions according to degree of criticality;
- The inclusion of ethical requirements in periodic supplier assessments.

Thus, in alignment with the voluntary SA8000 standard, ethical requirements are integrated into the supplier qualification process via targeted qualification questionnaires with reports and non-conformities regarding ethical issues.

Since the activation of the qualification procedure, all new suppliers within the scope of the SA8000 project have been assessed in accordance with the new ethical requirements.

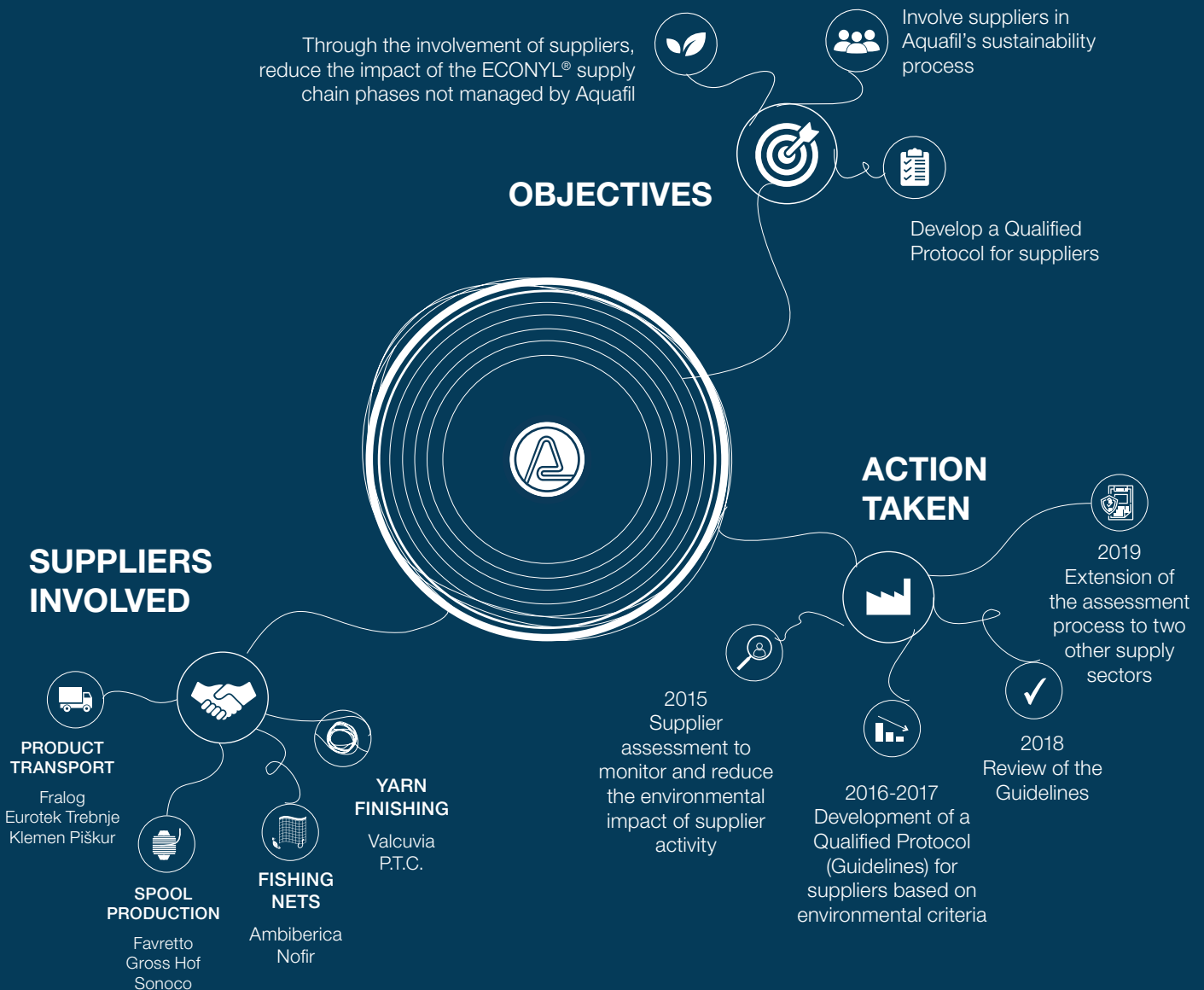
Furthermore, the procedure integrates specific reward criteria for the ECONYL® supply chain, by which, in collaboration with various suppliers, an “ECONYL® Qualified Guidelines for Partners” supply chain qualification protocol has been implemented.

ECONYL® QUALIFIED

One of the most important roles played by the Group's suppliers is represented by the ECONYL® Qualified project, which was launched at the end of 2015 to make the ECONYL® supply chain even more efficient.

The project was born from the Group's desire to promote continuous improvement of the environmental performance of ECONYL®, by acting on phases of the production process not directly controlled by Aquafil, such as the supply of transport services, raw materials and packaging and product finishing services. The initiative therefore led to the creation of the "ECONYL® Qualified" certification, which identifies the suppliers involved in the ECONYL® yarn production chain.

In order to obtain the qualification, suppliers must meet the environmental requirements defined in the ECONYL® Qualified Protocol, mainly concerning the use of materials and energy resources and the management of the production process.



Compliance with the requirements by the supplier means the achievement of specific environmental performance standards, thus the acknowledgement of excellence in Aquafil's selection of suppliers.

Qualification criteria, specific to each supply or service sector, are defined via the direct involvement of several suppliers and a preliminary collection of information in order to identify environmental topics of interest to the sector, followed by reference indicators and minimum performance targets to achieve qualification.

The initial phase of the project took place in 2016, when thanks to four suppliers who acted as pilots, the requirements were defined for the ECONYL® Qualified protocols for the "product transport" and "the production of the spools for yarn" areas.

Over time, the two protocols have been updated through the involvement of a growing number of partners in order to tailor the requirements more and more closely to the sectors mapped.

The initiative guidelines, selection criteria and some possible applications are available on the Aquafil website¹⁰. Beginning in 2019, a pilot phase was launched for two new sectors, "fishing net recovery and supply" and "yarn finishing".

Through the collaboration of four suppliers (Ambiberica and Nofir for the supply of fishing nets and Valcuvia and Preparazioni Tessili Como - P.T.C for yarn finishing) the environmental requirements were defined and the testing phase of the qualification protocol was started for these two sectors.

The official release of the new protocol was initially planned for 2020. However, activities came to a temporary halt in the year as a result of rapidly unfolding events related to the COVID-19 pandemic.

It is the Group's intention to continue with the project, and it is therefore hoped that activities will resume during 2021 following the stabilisation of the emergency situation, currently in progress.

ECONYL® RECLAIMING PROGRAM

The ECONYL® Reclaiming Program initiative is an awareness and engagement activity that targets different categories of stakeholders, effectively bringing them into the Group's supplier base. Aquafil has created an internationally structured network for the collection of waste containing nylon, based on partnerships with institutions, companies, organisations and public and private consortiums across the world.

Various materials are recovered such as abandoned fishing nets, carpets, special fabrics like tulle and nylon-based plastic components. The recovered post-consumer polyamide materials and waste are then stored, pre-treated and sent to the Ljubljana plant, where they are transformed into raw materials, ready to be reintroduced into the production cycle.

¹⁰ <https://www.aquafil.com/it/sostenibilita/il-filo-econyl/>

2.4.3.2. Customer Relations

(GRI 417-1:2016; SDG 12)

Over the years, Aquafil has constantly invested in strengthening its collaboration with customers as key players in achieving significant results in sustainability and other areas.

This collaboration entails:

- Transparency in communications, such as providing each product with a technical data sheet indicating its characteristics, composition, packaging information and any other data to fully describe the product;
- Engagement in raising awareness of sustainability issues and the circular economy, such as the take-back programmes for the recovery of manufacturing waste;
- Support for the creation of innovative products.

The Take-Back programme involves a number of customers, both from the NTF and BCF sectors, and consists of recovering ECONYL® nylon waste from the customers' own manufacturing processes when they use ECONYL® as one of the raw materials in their products. Brands such as Speedo, Gucci, Napapijri and Ege Carpets have joined the programme.

Thanks to the programme, the Group's customers can increase the circularity of their products by going beyond the use of ECONYL® regenerated nylon, becoming active participants in making the production chains circular.



NAPAPIJRI AND THE CIRCULAR SERIES COLLECTION

In 2019 Napapijri launched Skidoo Infinity, the first circular jacket made of a single material and using only ECONYL® yarn and Nylon 6. Starting in 2020, the company has decided to extend its circular product range, creating Circular Series, an entire family of products made with a circular approach in which each component is recyclable thanks to the single-material composition: the fabric is made using ECONYL® yarn and the remaining components (e.g. padding) are made of Nylon 6. Circular Series offers a reinterpretation of Napapijri's iconic products: the Infinity Anorak was followed by the Rainforest Summer jacket in the 2020 summer collection and the Circular Puffer winter down jacket in the 2020 collection.

In addition, the company has already started a take-back programme, in which after two years consumers will be able to return their jackets to the shop. They will then be completely reprocessed, as they are made of a monomaterial that can be reprocessed over and over again.



CORAL EYEWEAR

Coral Eyewear is the first British brand to launch a collection of prescription eyewear and sunglasses made from ECONYL® polymer. The Endangered collection places the emphasis on recyclability: frames are made of ECONYL®, cases are made of recycled plastic and models are shipped in recyclable packaging.

To close the loop and ensure a truly circular solution, a take-back system is also being studied and will be operating by 2021: frames will have a two-year warranty and after this period can be sent back to Coral Eyewear and Aquafil to be processed for the production of new products.



MAMMUT: THE CLOSE THE LOOP PROJECT

In 2020, Mammut, a company specialising in mountain equipment and clothing, partnered with Aquafil and the NGO Protect Our Winters Switzerland to bring circular economy principles to mountain sports.

Thus was born the pilot project "Close the Loop", which aims to give a second life to mountaineering ropes at the end of their life. Through a collection system set up for the purpose, the ropes are sent to Aquafil and reprocessed along with other pre- and post-consumer waste to produce ECONYL® yarn. Finally, to close the circle, Mammut has created T-shirts made of 100% ECONYL® yarn. Over three months of the project's existence, approximately 750 kg of rope has been collected.

2.4.3.3. Local community projects

(GRI 413-1:2016; SDG 11,14)

The Group is committed to developing solid relationships with the communities of the territories in which it operates, remaining cognisant of the different cultures, traditions and specific needs. Some of the activities undertaken by Aquafil to meet the needs of the local community and civil society are listed below.

These activities have been extended to factories in Italy, Croatia, Slovenia and the US (constituting over 70% of Group plants). The initiatives undertaken have been classified according to the needs identified for the various local communities.

SUPPORTING LOCAL BIODIVERSITY: REPOPULATION OF THE SARCA RIVER

(GRI 304-1:2016; SDG 6, 14, 15)

Most of the Group's factories are located in areas designated for industrial production as established by urban planning regulations. However, in some cases the plant locations are subject to certain environmental restrictions. This is the case, for example, for the Arco production plant, located near the Sarca river, within the protected area and covering an area of approximately 48,000 square metres. The plant was the Group's first production unit, and hosts its headquarters, as well as several industrial activities.

The Sarca River Park, recognised by national legislation and including a UNESCO Biosphere Reserve, extends for approximately 80 km and is characterised by a great variety of natural environments, from alpine valley woods to the olive groves of Lake Garda's shores.

The area includes all the valleys crossed by the river stream, constituting an extremely important ecological corridor connecting the Adamello Brenta Nature Park with Lake Garda, and all the various protected areas in between.¹¹ The great diversity of habitats requires special attention to make sure it is not threatened.

Aquafil's Italian plant is located near a stretch of the river that is particularly well known and famous for "no-kill" sport fishing. This type of fishing, also called "zero catch", involves releasing the fish caught in a way that does not cause their death.

Between 2019 and 2020, numbers of fish in the Sarca River were severely reduced as a result of adverse weather events (rising water levels, flooding) and the presence of many predatory birds such as cormorants and herons. In addition to a clear impoverishment of local biodiversity, this has also led to a reduction in "no-kill" sport fishing activities in the area, depriving the region of a source of income.

In 2020 Aquafil decided to co-finance the river repopulation plan carried out by the Associazione Sportiva Pescatori Dilettanti Basso Sarca, contributing to the restoration of local biodiversity and, at the same time, to the support of local activities.

¹¹www.parcofluvialesarca.tn.it



THE GARDEN OF BEES AND URBAN HONEY

In July 2020, AquafilSLO harvested the first honey obtained from its "bee garden", which was created in April 2020 in Ljubljana.

Slovenia has a long tradition of beekeeping and it is estimated that at least one in every 200 residents has a beehive. It was among the first nations to introduce legal instruments to protect these precious insects and to ban pesticides that harm their health.

As a tribute to the region in which it operates, AquafilSLO has transformed the uncultivated area next to the Ljubljana plant (a 5-hectare plot of land) into a large garden cultivated with plants that attract bees. These provide nourishment for the bees in two hives installed on site, managed by a beekeeper who is an expert in urban beekeeping.

In addition, in November 2020 AquafilSLO joined the municipal Bee Path initiative, which connects more than 40 businesses, beekeepers and institutions involved in bee care in the city. This is an opportunity to increase connection with the community and support local activities, and specifically urban beekeeping, making a tangible contribution to defining a new model of a "sustainable city", where different activities can coexist.

THE ADOPT A ROAD PROJECT

Adopt a Road is a public service programme operating in the United States that encourages residents of various communities to launch litter-picking initiatives on their streets, to prevent waste from ending up in waterways and having an adverse impact on the environment. Individuals, families, organisations of various kinds and businesses can participate in the project, and participants are invited to "adopt" a street, for whose cleanliness they will be responsible.

Aquafil has chosen to join the project through its Cartersville plants, where employees are involved in this volunteer activity and thus dedicate themselves to the care of the streets where the plants are located.

INCLUSION OF DIVERSITY AND ADDRESSING LOCAL NEEDS

A local area is enriched culturally by its ability to welcome and value the diversity of the people who populate it. Aquafil, as a company that identifies itself as an active part of the community, supports, both financially and by other means, various other companies and initiatives that favour local development by responding to emerging needs.

These include:

- Donations to Telethon, an association that engages in research to find treatments for rare diseases;
- Donations to ABIO, an association that supports hospitalised children with the aim of making their hospital stay less traumatic and also supporting parents during the difficult period when their child is in hospital;
- Investment in breast cancer research in China;
- Donations towards various initiatives concerning the safeguarding of health in the Slovenian and Croatian regions (blood cancer association and entities working with people with disabilities);
- Donations to the Senozece volunteer firemen's association by AquafilSLO for the purchase of technical and rescue equipment; the Arco site has supported the firemen in the distribution of all the protective equipment to be used in the local care clinics, such as masks, overalls and disinfectant gels;
- Donations to the Boy Scouts of America of the Northwest GA Council and to the American Lung Association, both in the US;
- Donations to various associations by AquafilCRO, including the Association of the Blind, the Red Cross, the OAZA centre (which takes care of children in need), the Krijesnica association (which supports children and families facing malignant diseases) and SOS Children's Village;

Additional support is provided to the Eliodoro cooperative, which for years has been involved in helping people with psychophysical disabilities and facilitating their entry into the world of work.

The collaboration with Aquafil has allowed people with psychophysical disabilities to take part in a variety of corporate activities, such as the creation of small merchandising objects and the preparation of Christmas packages.

ENVIRONMENTAL PROTECTION EDUCATION AND OUR COMMITMENT TO THE OCEANS.

To help raise awareness of the environmental problem posed by the huge quantities of solid plastic waste on the seabed, Aquafil is supported by the foundation "The Healthy Seas, a Journey from Waste to Wear" co-founded in 2013. One of the foundation's aims is to prevent plastics from ending up in the seas and rivers, raising awareness and encouraging the public, operators and authorities to play an active part in this process.

Thanks to the contribution of groups of volunteer divers, the organisation works to recover ghost nets trapped in wrecks at sea or lying on the seabed. After bringing them back to the ports, it identifies, sorts and cleans them.

Some of the nets, where suitable and made of Nylon 6, are used by Aquafil and reprocessed in its chemical plant. Although the amount recovered is very small compared to the amount used by Aquafil on a daily basis, nonetheless it is a contribution to reducing plastic in the seas.

The project also includes school encounters aimed at raising awareness of plastic pollution in our oceans. The project, which was initially launched on the coasts of Belgium and the Netherlands in the North Sea, has now been extended to Italy, Greece and the United Kingdom.

SUPPORT OF LOCAL CULTURAL AND SPORTS CENTRES

Aquafil recognises the importance of sports clubs in local communities. These sport clubs provide young children with the opportunity to take part in physical activities suited to them and therefore contribute to the promotion of a healthy lifestyle.

Initiatives in the cultural field are of equal importance as they present a source of enrichment for the region in many respects, and Aquafil is committed to sponsoring them.

For these reasons, the initiatives supported also include sports and cultural activities, ranging from supporting local sports teams and associations, such as the men's and women's ski jump and volleyball club supported by AquafilSLO, to sponsoring books, magazines or cultural events.

PARTICIPATION IN ASSOCIATIONS

Aquafil promotes a way of doing business based on the concepts of the circular economy and sustainability. In order to promote this economic and productive paradigm and show that there are different models and solutions that combine industrial competitiveness with environmental, economic and social sustainability, the Group has established strategic partnerships and joined several associations that share the same vision of doing business in a sustainable and circular way.

The various organisations and initiatives include:

- The Alliance for the Circular Economy: this initiative involves 18 leading Made in Italy companies in different industrial sectors, aiming to spread the culture of the circular economy and lead the change and renewal of the production ecosystem to become more circular. During 2020, the Alliance published a position paper exploring the potential of the circular economy in Italy in the areas of expertise of Alliance members. It identified five areas of intervention to facilitate the transition from a linear to a circular economic model.
- Ellen MacArthur Foundation: one of the most significant international initiatives aimed at promoting and adopting the circular economy. In particular, the Group has become a partner in the Circular Economy 100 Network, a programme that aims to develop new opportunities in the circular economy through collaborations between different industrial sectors.
- Plastics Recyclers Europe: this association gives a voice to the main companies operating in the plastics recycling sector in Europe. The organisation aims to promote the use of high-quality recycled plastics, to support its members in the development of innovative products made from recycled material and to represent the plastics recycling industry at European level.
- The Italian Cluster of Green Chemistry (SPRING): this association aims to bring together different entities and actors operating in the field of green chemistry in order to promote the development of the bioeconomy in Italy.

2.5. Environment and circularity

Safeguarding the environment and adopting a circular approach to products are key to the group's business strategy, forming two pillars of the company mission and constituting an integral part of the sustainability plan.

2.5.1. Voluntary certifications

(GRI 307-1:2016)

2.5.1.1. Group certifications

In order to guarantee more reliable management of quality, environmental, energy and safety issues, the Aquafil Group has embarked on a certification process to annually increase the number of its certified factories worldwide (Table 16).

Table 16: LIST OF CERTIFICATIONS OBTAINED BY FACILITY (2020)

Production plant	ISO 9001	ISO 14001	OHSAS 18001 o ISO 45001	ISO 50001	SA 8000
AquafilArco	X	X	X	-	X
Aquafil China	X	X	-	-	-
Aquafil USA-Cartersville	X	-	-	-	-
Aquafil Carpet Recycling#1	-	-	-	-	-
Aquafil Carpet Recycling#2	-	-	-	-	-
AquafilCRO	X	X	X	X	X
AquafilSLO - Ljubljana	X	X	X	X	-
AquafilSLO - Ajdovščina	X	X	X	-	-
AquafilSLO - Senožece	X	X	X	-	-
AquafilSLO - Celje	X	X	X	-	-
Asia Pacific	X	-	-	-	-
Tessilquattro	X	X	-	-	X
Tessilquattro - Rovereto	X	X	-	-	X
Aquafil UK	-	-	-	-	-
Aquafil O'Mara	-	-	-	-	-

In addition to the certifications indicated in Table 16 are:

- The maintenance of Responsible Care Certification by AquafilSLO, a voluntary programme of the global chemical industry that certifies excellence in the areas of health, safety and the environment;
- Full Authorised Economic Operator (AEO) Certification¹², obtained by Aquafil S.p.A. and Aquafil SLO, in relation to the European Union Customs Code, formally certifying and authorising the company as an ‘Authorised Economic Operator’.

Aquafil is constantly committed to preventing non-compliance with environmental laws and regulations through constant supervision and training on the topic. Thanks to this commitment, during 2020 the Group was not subject to any fines or sanctions for non-compliance with environmental laws or regulations.

2.5.1.2. Product certifications

The Group has also received a number of certifications guaranteeing product features in terms of quality, environment and safety, demonstrating its commitment to one of the cornerstones of its strategy – product culture.

MANAGEMENT OF CHEMICAL SUBSTANCES

(GRI 416-1:2016)

Aquafil is actively engaged in developing and supplying products that not only offer high levels of quality and performance but also guarantee safety to all those involved in its value chain and respect the environment.

In this regard, the Group has drawn up a document setting out the guidelines on which to base a clear and transparent communication and control system¹³ and has set up an internal working group (sustainability compliance team) dedicated to:

- supporting all Group plants on REACH regulation issues;
- engaging and supporting relevant stakeholders in a shared pathway of chemical assessment and management.

All the chemicals used in Aquafil’s products and processes are entered into a single database, which is updated periodically according to a standard operating procedure.

In order to guarantee the safety of chemicals used in production, Aquafil S.p.A. certifies its compliance with the REACH regulation. In addition, the Group also decided to obtain the OEKO-TEX certificate attesting to the absence of harmful substances in the product¹⁴ and during 2020, Aquafil SLO obtained Eco passport¹⁵ certification for three of its products. This certification is recognised within the Zero Discharge of Hazardous Chemicals (ZDHC) initiative¹⁶.

In 2020, considering the conformity of the Group’s products with major health and safety standards, it was not necessary to implement assessment processes for the improvement of the impacts of any of its products.

¹²www.adm.gov.it/portale/dogane/operatore/operatore-economico-autorizzato-aeo

¹³<http://www.aquafil.com/it/sostenibilita/il-nostro-impegno/#commitment-03>

¹⁴The following link lists the certifications achieved by Aquafil, including the OEKO-TEX certificate, as well as the products included
<https://www.aquafil.com/it/certificazioni/>

¹⁵<https://www.oeko-tex.com/en/our-standards/eco-passport-by-oeko-tex>

¹⁶<https://www.roadmaptozero.com/>

RECYCLED CONTENT

For 2020, Aquafil has again maintained a set of certificates for ECONYL® polymers and yarns that certify their recycled content. Specifically:

- ECONYL® product certificate: PA6 100% recycled yarn;
- ECONYL® caprolactam certification - 100% recycled raw material, with post-consumption content greater than 50%;
- Certification issued by UL for ECONYL® Altochroma yarn, confirming the presence of at least 95% recycled material.

PRODUCT ENVIRONMENTAL DECLARATION (EPD)

Aquafil renewed its EPD certifications for ECONYL® polymer and yarns for clothing and textile flooring during 2020. The declarations are publicly available, and can be downloaded in the section of the company website dedicated to certifications (<https://www.aquafil.com/certifications/>).

These are certified environmental declarations indicating the environmental performance of the products. They are based on scientific, life-cycle analysis (LCA) methodology.

2.5.2. Data collection and processing methods

The environmental impact linked to the production process is measured and analysed using tools and performance indicators in accordance with the procedures of environmental management systems. Material topics are reported by means of indicators according to 2016's Global Reporting Initiative Sustainability Reporting Standards (GRI Standards). The reliability of the data and reporting processing process platform is guaranteed by a specific team who collaborate with experienced external consultants. Since 2012, Aquafil has been equipped with a customised software platform, the "Sustainability web tool" (hereinafter the "tool"), whose main purpose is to standardise data collection among all the Group's production plants.

Apart from the fact that it is an integral part of the company's management methods, the tool facilitates the analysis and communication of results, both at individual plant level and corporate level; each plant can access it through a link by adding dedicated credentials and can view the questionnaire for data collection and the environmental indicators. Data are collected on a monthly and half-yearly basis: every month each plant inputs data on consumption of raw materials, energy, water, etc., while on a semi-annual basis (in June and December) it inputs data on the waste generated, air & water emissions and on packaging and transport.

The reliability of the tool's results is guaranteed by various control levels both internally, at company level, and externally, through third-party audits.

Specifically:

- The data entered in the tool on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 17);
- results reliability and accuracy and correct processing of entered data is guaranteed by an independent third-party audit conducted by DNV GL¹⁷, which has issued a certificate downloadable from the tool's login page (https://aquafilcsrtool.com/images/Aquafil_Verification_2.pdf).

¹⁷<https://www.dnvgl.it/assurance/index.html>

Table 17: LEVELS OF CONTROL OF DATA INPUT INTO THE SUSTAINABILITY WEB TOOL

Levels of input/control	Company role	Platform role
Platform data input	Environmental management officer/facility controller	PLANT user, responsible for data entry
First level of control	Plant manager	PLANT MANAGER user, responsible for input data control and validation
Second level of control	The Committee's Environmental Issues Working Group, based at the Ljubljana plant	ADMINISTRATOR user, responsible for the entire data collection system, data validation and verification and control of Group indicator trends

2.5.3. Environmental performance of Aquafil's production processes

MATERIALS

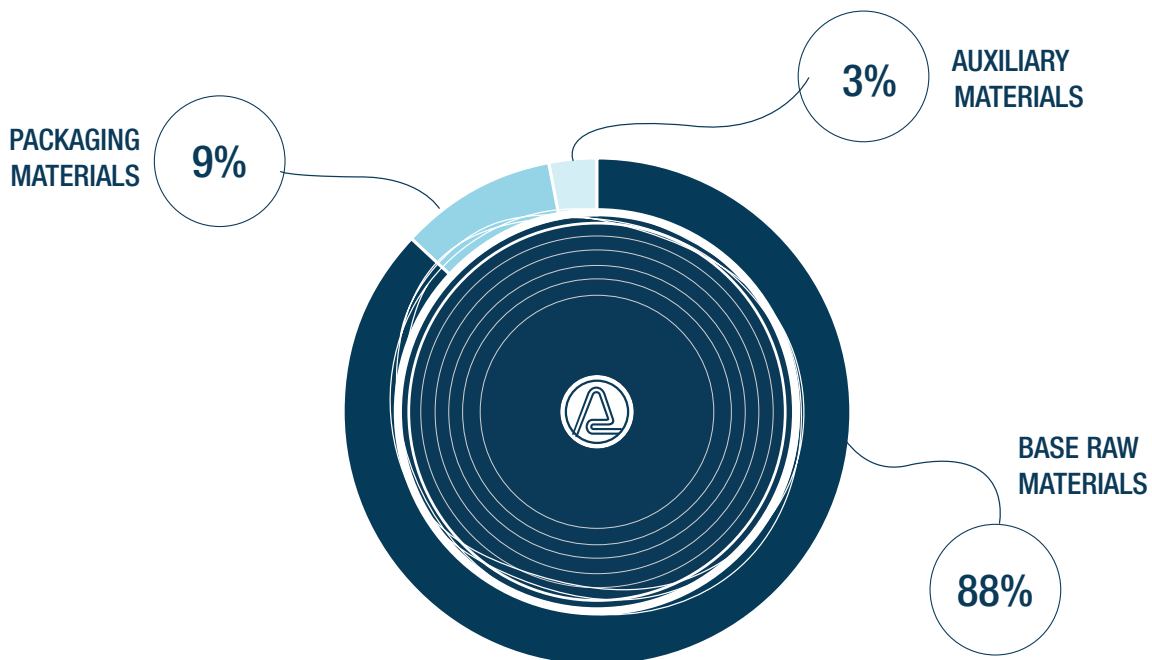
(GRI 301-1:2016; SDG 8, 12)

The raw materials handled by the Group can be divided into three macro categories (Figure 12):

1. Base raw materials, accounting for 88% of total raw materials used. These consist of virgin raw materials (such as caprolactam and polymers) and secondary raw materials derived from processing waste (pre-consumer) and end-of-life products such as carpet fluff or fishing nets (post-consumer);
2. Packaging materials, consisting of the packaging of raw materials and finished products;
3. Auxiliary materials, such as additives and other substances used in the production process.

Approximately 133,000 tons of materials were used in 2020, 9% of which came from renewable raw materials, such as paper and wood.

Figure 12 - PERCENTAGE BREAKDOWN OF RAW MATERIALS USED BY THE GROUP IN 2020



ENERGY

(GRI 302-1:2016; SDG 7, 8, 12, 13)

Effective energy management has implications for both environmental and economic sustainability. In this regard, the Group has made two specific commitments, as stated in the Group's Sustainability Plan:

1. To invest in energy from renewable sources, in order to preserve exhaustible resources and reduce greenhouse gas emissions;
2. To reduce the impacts of production processes and increase their efficiency.

In 2020, 69% of the total electrical and thermal energy used by the Group came from certified renewable sources, such as hydroelectric, wind, photovoltaic and biomass. In particular, 95% of electricity was obtained from renewable sources.

The Group also invests in self-generated power systems: the Aquafil plants have installed photovoltaic panels in the United States and in Italy, in Slovenia and Croatia, which, while only providing a small percentage of the total energy requirements, can meet the energy needs of certain facilities such as administrative offices.

Table 18 shows the total amount of energy managed and consumed by the Group from 2016 to 2020. Consumption is expressed in absolute terms and divided by energy carrier and destination (used internally or sold). Furthermore, the total energy consumption is reported in relation to the margin (expressed as EBITDA) in order to show the trend over the years.

Table 18 - ENERGY PRODUCED AND CONSUMED BY THE GROUP IN THE 2016 - 2020 PERIOD¹⁸

Energy carrier	Unit	2016	2017	2018	2019	2020
Fuels purchased	Natural gas, diesel and technical gas GJ	873,264	875,913	855,680	824,684	774,294
Energy purchased	Electricity GJ	1,073,025	1,097,003	1,126,326	1,159,558	1,001,572
	Steam GJ	458,816	501,691	545,675	523,790	440,527
Energy internally produced	Photovoltaic GJ	2,705	2,647	2,742	3,266	8,875
Energy sold	Electricity GJ	1,465	614	1,111	1,502	2,872
	Thermal energy GJ	28,535	30,119	35,156	28,546	16,797
Energy managed by the Group	GJ	2,437,810	2,507,987	2,566,690	2,541,346	2,244,937
Total Group energy consumption¹⁹	GJ	2,377,810	2,446,522	2,494,156	2,481,249	2,205,600
Energy consumption in relation to the margin (EBITDA)	TJ/MIL€ (MJ/€)	36.5	33.2	32.0	35.7	37.8

¹⁸Consumption is measured using the tool in the unit of measure kWh and then converted into GJ by multiplying by a factor of 0.0036

¹⁹The total energy consumption of the Group is calculated as: fuels + energy purchased + energy produced internally - energy sold.

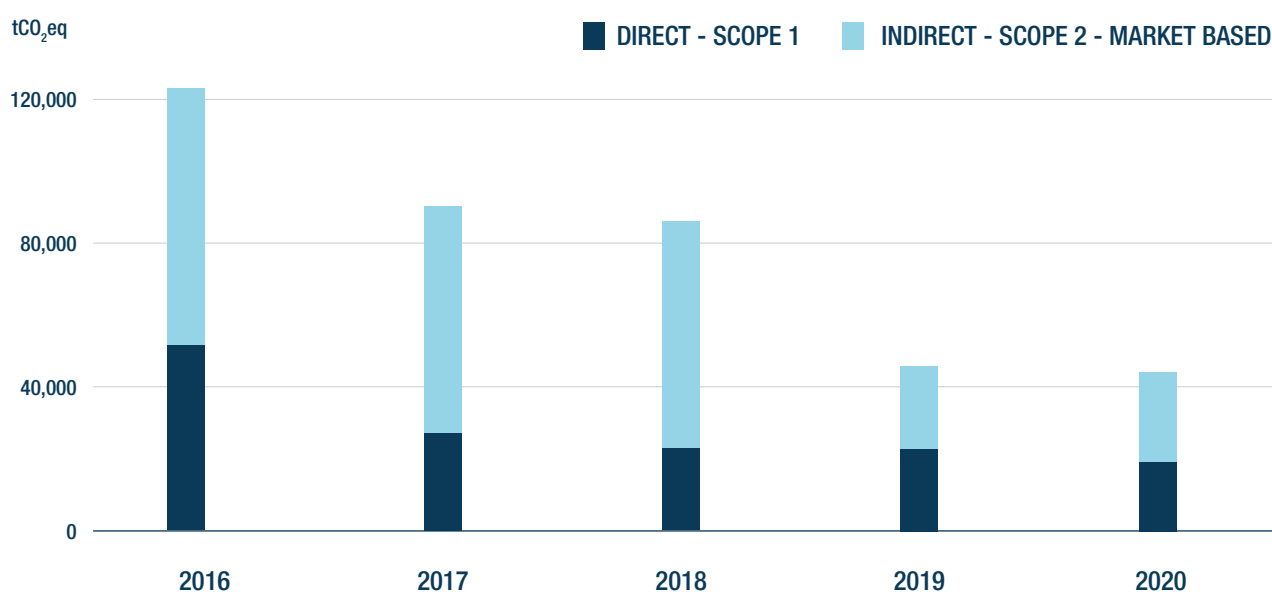
GREENHOUSE GAS EMISSIONS

(GRI 305-1:2016; GRI 305-2:2016; SDG 9, 12, 13, 14, 15)

Greenhouse gases emissions are closely linked to energy consumption, which is calculated monthly by converting the quantities of energy used by the plant into carbon dioxide equivalents (CO₂eq); the tool is used for this purpose by applying specific conversion factors²⁰ to the energy carrier.

Greenhouse gas emissions (Figure 13) are divided into direct emissions (Scope 1, mainly associated with fuel use) and indirect emissions (Scope 2, associated with the production of electricity and heat purchased from external suppliers).

Figure 13 - TRENDS IN TOTAL GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 2), 2016-2020



As with energy, the Group's total emissions are reported in relation to the margin (expressed as EBITDA) in order to show the trend over the years.

Table 19 - GREENHOUSE GAS EMISSIONS, 2016-2020

	Udm	2016	2017	2018	2019	2020
Emissions - Scope 1	tCO ₂ eq	50,406	29,023	26,048	24,673	23,141
Emissions - Scope 2 (market-based)	tCO ₂ eq	73,648	57,855	60,203	26,839	27,267
Total emissions	tCO ₂ eq	124,055	86,878	86,251	51,512	50,408
Greenhouse gas emissions with respect to margin (EBITDA)	tCO ₂ eq / Mio€ (gCO ₂ eq/€)	1,906	1,178	1,107	742	864

²⁰ The conversion factors used come from the GaBi Software Version 10 Database Pack 40, released by Sphera.

As can be seen, despite a reduction in both energy consumption and greenhouse gas emissions compared to the previous year, the ratio to EBITDA shows a higher value.

This is linked to the effects of the COVID-19 pandemic, which affected production levels and consequently turnover (expressed by EBITDA), but did not lead to a halt in production processes. This has meant that the level of energy consumption and emissions has not decreased proportionally to EBITDA, and therefore the ratio between the indicators has worsened. The anomalous situation in 2020 means that it cannot be compared with previous years, if the intention is to monitor the improvements achieved over time by the Group on these issues.

WATER WITHDRAWALS

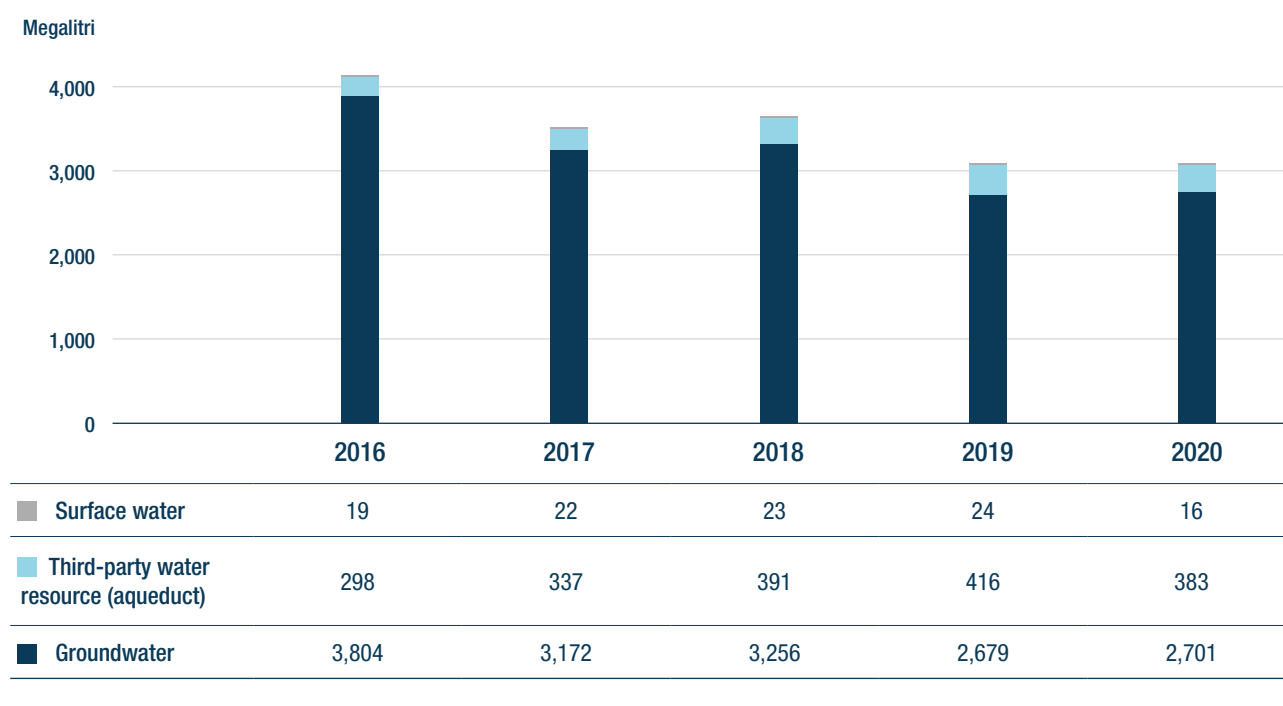
(GRI 303-1:2018; GRI 303-3:2018; SDG 6)

Aquafil constantly monitors its water consumption. In plants with an ISO 14001-certified Environmental Management System, this issue is addressed to ensure ongoing compliance with any national regulations that protect water resources. The same level of attention and commitment to the correct and efficient management of water consumption is also in place in non-certified plants, because the Group is aware of the importance of this resource.

Approximately 87% of the volume of water withdrawn comes from groundwater (wells), with the remainder from aqueduct and surface water (rivers). To give an overview of performance in terms of water withdrawal, Figure 14 shows performance over the period 2016 - 2020, broken down by type (groundwater, third-party water resources and surface water) measured in megalitres.²¹

In 2020, the amount of water withdrawals remained nearly the same as in 2019 despite the US plant (Aquafil O'Mara) coming on line at full capacity.

Figure 14 - WATER WITHDRAWALS BY SOURCE IN THE 2016 - 2020 PERIOD



²¹Information is not currently available regarding freshwater used, as a percentage of the total. Under GRI Standard 303-3:2018, freshwater is water that contains total dissolved solids less than or equal to 1,000 mg/L.

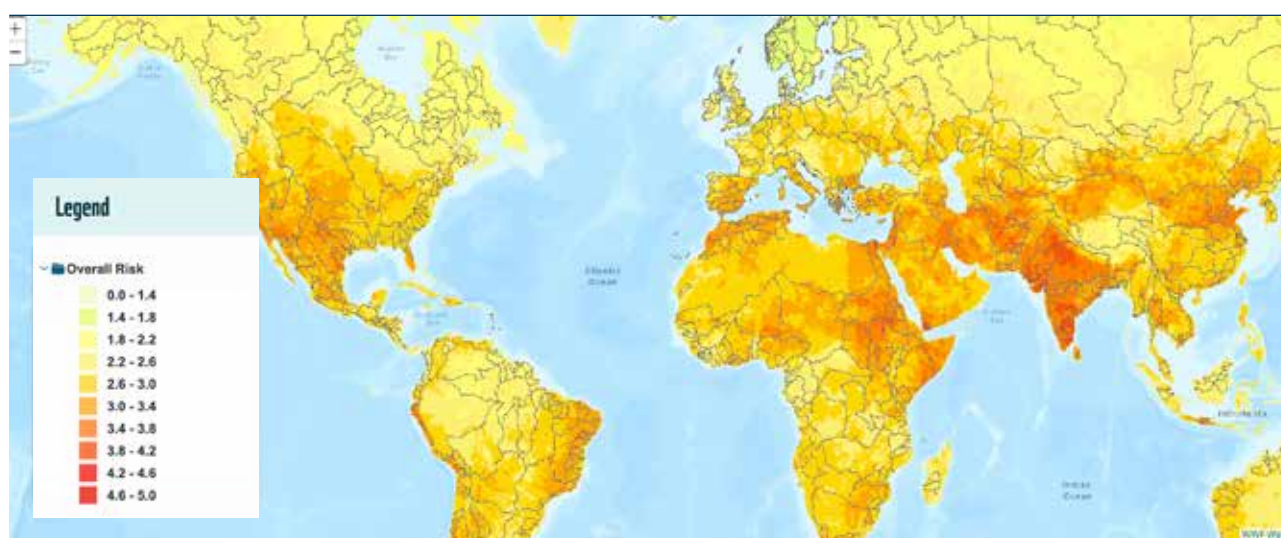
In line with the requirements of GRI Standard 303-3, a qualitative assessment was made of the water stress in the areas where withdrawals are made. Each area was categorised using WWF's Water Risk Filter²², which returns a risk scale ranging from 0 (no risk) to 5 (high risk) (Figure 15).

Table 20 shows the volume of water withdrawal broken down by source, plant and water stress area for the year 2020; it can be seen that withdrawals occur on average in areas of medium to low water stress.

Table 20 - WATER WITHDRAWAL BY WATER STRESS AREA (2020)

SOURCE OF WITHDRAWAL	PLANTS INVOLVED	WATER STRESS RISK	AMOUNT WITHDRAWN [megalitres]
Surface water	Tessilquattro	2.6 -3.0	16.5
	AquafilSLO - Ajdovscina	1.8 -2.2	0.8
Groundwater	AquafilSLO – Celje; AquafilSLO - Ljubljana	2.2 - 2.6	298.9
	Aquafil; Tessilquattro - Rovereto	2.6 -3.0	2,401
Third-party water resources (aqueduct)	AquafilSLO – Senozece; AquafilUK	1.8 -2.2	5.6
	AquafilCRO; AquafilSLO – Celje; AquafilSLO – Ljubljana	2.2 - 2.6	24.5
	Aquafil; Aquafil USA; O'Mara; Tessilquattro; Tessilquattro - Rovereto	2.6 -3.0	271.7
	Aquafil China; Asia Pacific	3.0 – 3.4	67.6
		3.4 – 3.8	13.3

Figure 15 - Water stress risk scale (WWF Water Risk Filter)



²²<https://waterriskfilter.panda.org/en/Explore/Map>

WATER DISCHARGES

(GRI 303-2:2018; GRI 303-4:2018; SDG 6)

Most of the wastewater from the production process is discharged to surface waters (78% of the Group's total water discharge volume). Discharges to surface water are implemented after specific water quality assessments have been carried out, which is a standard procedure of the Group's environmental management system aimed at enduring full compliance with current regulations.²³ The checks are carried out periodically through laboratory analysis in order to monitor some parameters, the most relevant being the COD (chemical oxygen demand) which measures the oxygen demand of organic substances. In fact, both the quantity of the water discharged as well as its quality in terms of COD are monitored every six months using the sustainability web tool.

Table 21 shows the total water discharge by destination and its quality in terms of COD.

Table 21 - VOLUME AND QUALITY OF THE WATER DISCHARGED OVER THE 2016-2020 PERIOD

	Udm	2016	2017	2018	2019	2020
Discharge to surface water	megalitres	2,804.4	2,806.9	2,943.0	2,334.4	2,441.2
Discharged water quality (COD)	kg O ₂	89,436	103,682	77,045	68,821	99,963
Discharge to third-party water resources (treatment plants)	megalitres	756.9	864.4	880.1	841.2	700.6
Discharged water quality (COD)	kg O ₂	475,713	601,370	432,833	578,552	262,234

A qualitative assessment of the water stress in the areas where the discharge occurs was also carried out for water discharges, as required by GRI 303-4, with the same risk scale used for water withdrawals. Table 22 shows the volume of water discharge broken down by destination, plants involved and water stress area for 2020.

Table 22 - WATER DISCHARGE BY WATER STRESS AREA (2020)

DISCHARGE DESTINATION	PLANTS INVOLVED	WATER STRESS RISK	AMOUNT DISCHARGED [megalitres]
Surface water	Aquafil; Tessilquattro - Rovereto	2.6 – 3.0	2,441.2
	AquafilSLO – Ajdovscina; AquafilUK; AquafilSLO - Senozece	1.8 -2.2	4.0
	AquafilCRO; AquafilSLO – Celje; AquafilSLO - Ljubljana	2.2 - 2.6	230.3
Third-party water resources (treatment plants)	Aquafil; Aquafil USA; O'Mara; Tessilquattro; Tessilquattro - Rovereto	2.6 -3.0	437.5
	Aquafil China; Asia Pacific	3.0 – 3.4	15.5
	Aquafil Carpet Recycling #1	3.4 – 3.8	13.3

²³Information is not currently available regarding freshwater discharged, as a percentage of the total. Under GRI Standard 303-3:2018, freshwater is water that contains total dissolved solids less than or equal to 1,000 mg/L.

WASTE

(GRI 306-1:2020; GRI 306-2:2020; GRI 306-3:2020;SDG 11,12)

Waste is a material topic for the Group as it is a source of raw materials for the production of ECONYL® yarns (<https://www.econyl.com/en/>) as well as being a product of internal production processes. Waste from production processes is managed in compliance with the regulations in force in the various countries where the Group is located, such as local environmental laws and regulations. This management is entrusted to third parties whose work is regulated by specific contracts that reflect the requirements of existing legislative obligations. Compliance with these contracts is monitored by the Group's internal bodies responsible for ensuring contractual and regulatory compliance in the various areas. The quantities shown in Table 23 and Table 24 refer to waste from production processes.

Table 23 shows the quantities and types of waste produced by the Group in the period 2016-2020.

	Udm	2016	2017	2018	2019	2020
Hazardous	t	1,991	2,095	2,037	2,549	1,747
Non-hazardous	t	11,396	9,738	10,416	11,083	8,112
Total	t	13,387	11,833	12,453	13,631	9,859

Table 24 shows the composition of waste produced by the Group and its end-of-life destination, broken down into recovery (recycling or energy recovery) and disposal (landfill).

WASTE COMPOSITION	WASTE GENERATED [t]	WASTE DIVERTED FROM DISPOSAL [t]	WASTE DIRECTED TO DISPOSAL [t]
Chemical process waste	3,364.27	3,364.27	-
Paper	2,428.08	2,428.08	-
Wood	952.31	952.31	-
Plastics	889.60	889.60	-
Municipal waste	651.69	-	651.69
Aqueous liquid waste	504.29	498.08	6.21
Metals	419.55	419.55	-
Other waste	354.73	354.73	-
Electrical devices	108.60	108.60	-
Miscellaneous hazardous waste	71.10	23.40	47.70
Waste oils	43.58	43.58	-
Slurry	21.77	21.77	-
Waste chemicals	14.35	14.35	-
Electrical devices	13.33	13.33	-
Inert material	12.21	9.11	3.10
Oils	6.42	6.42	-
Glass	2.16	2.16	-
Lead batteries	0.81	0.81	-
Used filters	0.53	0.53	-
Total	9,859.37	9,150.68	708.69

2.5.4. Product chain environmental performance

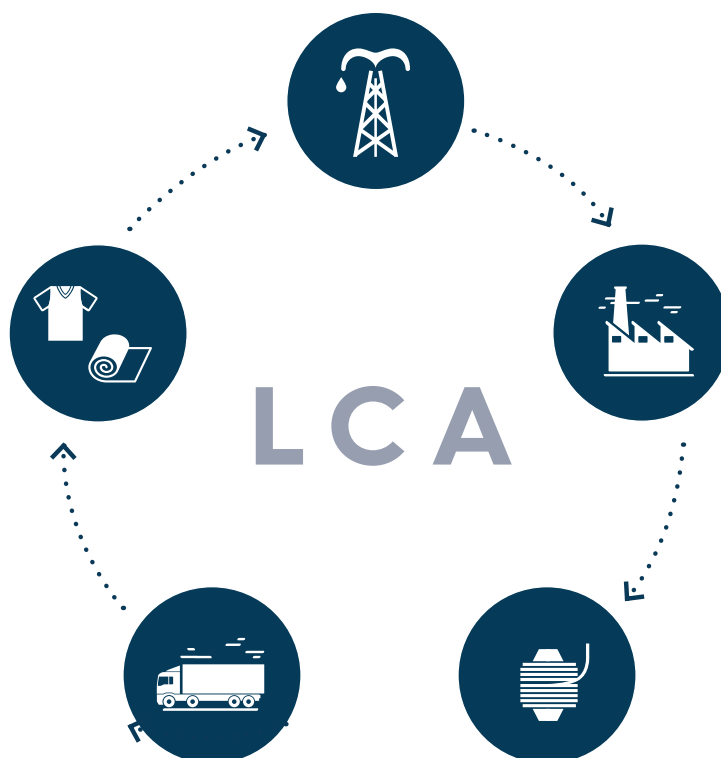
LIFE CYCLE ASSESSMENT

Aquafil was among the first companies in Italy to adopt the “Life Cycle Thinking” approach for designing the entire supply chain of its products, using the life cycle analysis methodology (internationally known as Life Cycle Assessment - LCA).

With this method it is possible to measure the environmental performance of the processes “from cradle to grave” or even “from cradle to cradle”, and to identify and improve the phases with major energy efficiency and environmental issues. This approach has supported wiser investment decisions over the years, e.g. by carefully selecting raw materials and methods of transportation and recycling waste that would otherwise be sent to landfill and the development of innovative technologies for the recovery of waste etc.

One of the main results achieved through this methodology is the development of ECONYL® regenerated nylon²⁴. The LCA analysis carried out on Nylon 6 thread produced by Aquafil (and used as a reference) has provided precise information about the overall environmental impact of the nylon thread and the contribution of the different phases of the life cycle. The raw material extraction phase, specifically, proved to have the highest impact and is therefore the phase where improvement efforts are to be focused. On that basis, the Group launched a project to look at the sustainability of replacing caprolactam (normally from non-renewable sources) with secondary raw materials deriving from the end-of-life recycling of various types of waste etc.

In 2011, the ECONYL® regeneration system was born.

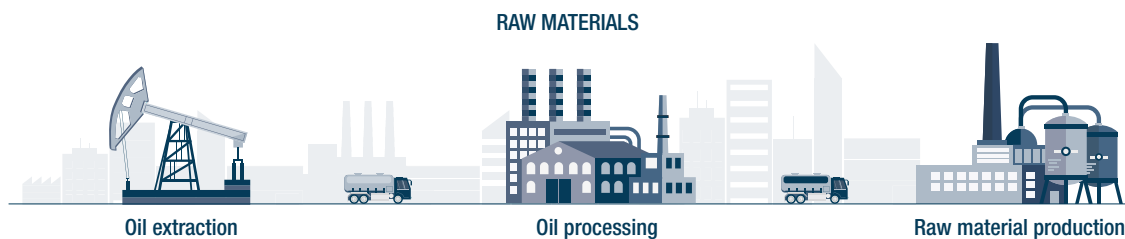


²⁴<https://www.econyl.com/it/>



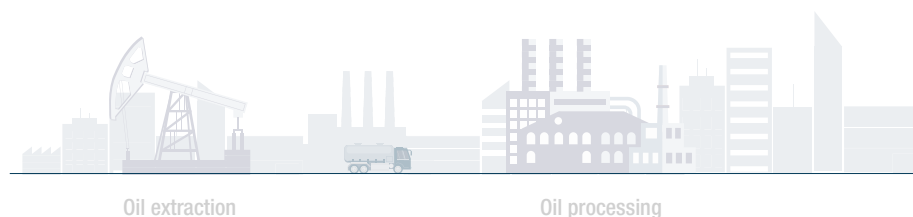
Figure 16 - THE “LIFE CYCLE THINKING” APPROACH APPLIED TO THE PRODUCTION OF VIRGIN YARN AND ECONYL® YARN. THE GREENHOUSE GAS EMISSIONS GENERATED DURING RAW MATERIAL PRODUCTION ARE 90% LESS THAN THOSE GENERATED USING TRADITIONAL METHODS.

STANDARD NYLON



GLOBAL WARMING POTENTIAL IS REDUCED BY UP TO **90%**
COMPARED TO TRADITIONAL AQUAFIL RAW MATERIALS OBTAINED FROM OIL

ECONYL® NYLON

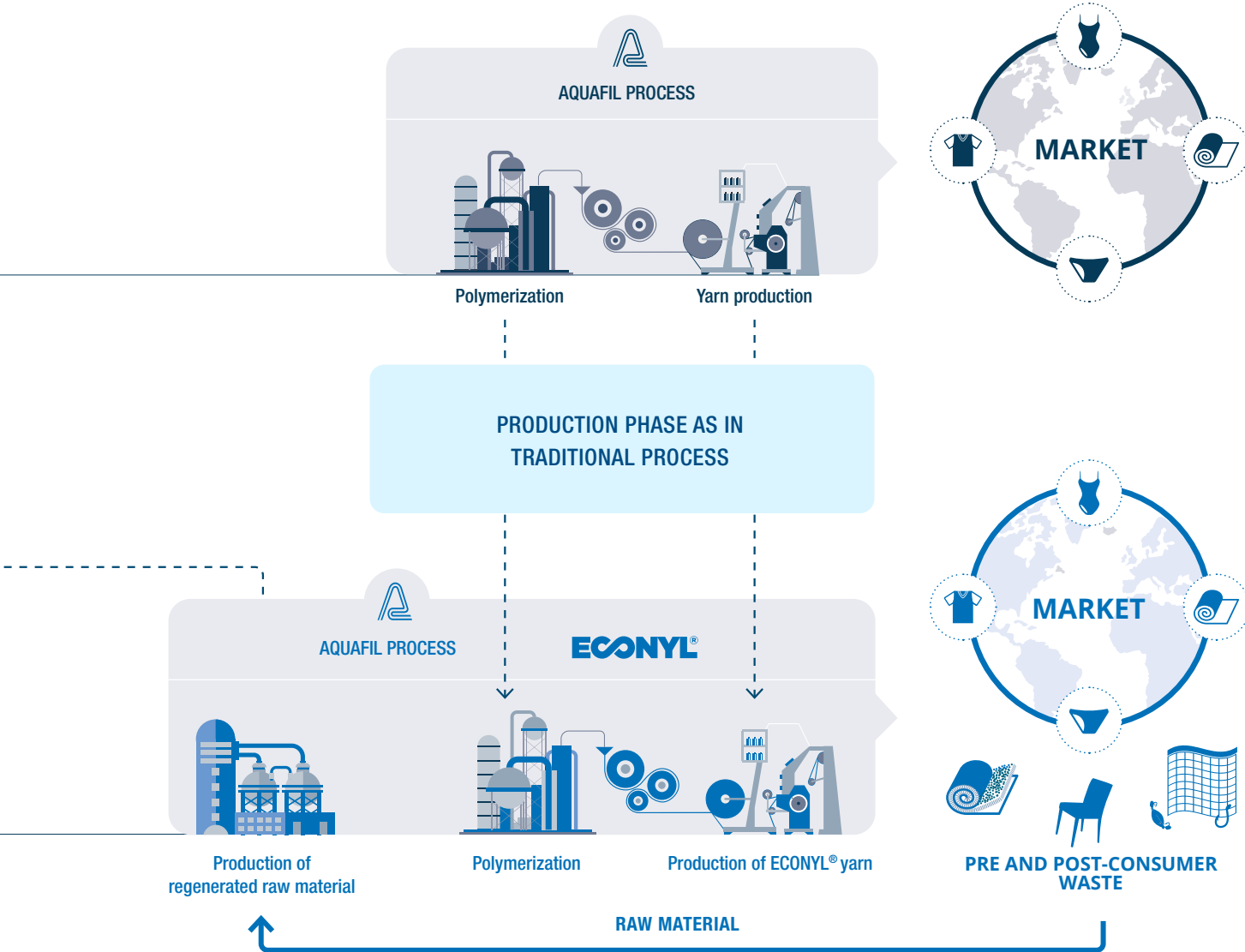


THE ECONYL® REGENERATION SYSTEM AND THE CIRCULARITY OF NYLON 6

With the establishment of the ECONYL® Regeneration System, Aquafil has launched a challenge to the entire economic system, clearly demonstrating how high-quality products can be created from secondary raw materials, and becoming a market leader in such processes.

More specifically, the ECONYL® regeneration system allows the production of ECONYL® Nylon 6 from post-consumer waste, i.e. products that have reached the end of their life, and pre-consumer waste, deriving from fabric production waste or plastic scraps. The use of a chemical recycling technology (called depolymerisation) also allows the polyamide 6 contained in the waste to be regenerated an infinite number of times, obviating the limitations associated with traditional mechanical recycling, in which the material can be recycled a limited number of times.

ECONYL® Regenerated nylon has significant environmental advantages, as it is possible to reduce the greenhouse gas emissions generated by the production of the raw material by as much as 90% (reduction in use of fossil origin caprolactam), while regenerating vast amounts of waste material that would otherwise be sent to landfill or in some cases would end up polluting the environment (Figure 16).



In order to achieve even better results in terms of circularity and environmental sustainability, the Group has initiated collaborations with upstream and downstream players in its supply chain.

Going beyond the bounds of the traditional economic system, the circular economy pushes companies to seek closer ties with other companies, to forge industrial symbioses that are key in creating innovative products inspired by this philosophy.

One of fundamental areas in which Aquafil has particularly engaged its stakeholders through the launch of various initiatives is that of the recovery of waste materials.

Significant initiatives, discussed in more detail at 2.4.3, include:

- The ECONYL® Reclaiming Program, in support of the ECONYL® Regeneration System, which involves various categories of stakeholders in the collection of end-of-life nylon products;
- ECONYL® Qualified, the qualification protocol for suppliers demonstrating a commitment to compliance with specific sustainability standards.



RETHINKING OF PRODUCTS FROM A CIRCULAR PERSPECTIVE

(SDG 8, 9, 12)

Over the years, the Group has extended the concept of circularity and sustainability beyond Nylon 6 alone, working on the development of new circular supply chains that make the most of ingredients other than Nylon 6 contained in the finished products fed into the ECONYL® Regeneration System.

To this end, the Group is working on two parallel fronts: on the one hand, the development of technologies to exploit the by-products obtained from the recovery and recycling of Nylon 6-based products; on the other, fundamental work on the circular design of products, going back to the source of the problem and thus providing solutions that prevent the production and subsequent disposal of waste.

COPPER PRODUCTION FROM AQUACULTURE NETS

Aquaculture nets are designed to withstand extreme weather conditions and remain at sea for long periods. Made of Nylon 6, they are covered with an antifouling coating that prevents the growth of algae, which would obstruct the circulation of water and oxygen inside the net where the fish are kept.

The presence of the antifouling coating, composed of resin and copper oxide, means that nets cannot be directly recovered in the ECONYL® Regeneration system, as they contain substances other than Nylon 6.

Aquafil has therefore developed a system initially making it possible to separate and recover the Nylon 6 fraction contained in these products, which goes directly to the regeneration plant. At the same time, an attempt has been made to leverage the copper oxide, developing and patenting a technology that makes it possible to recover this substance from the nets and convert it into copper metal.

The Group has invested in the construction of a pilot plant at the AquafilSLO site in Ljubljana (Slovenia) which currently regularly produces around 5 tons of copper a month solely by recycling the copper oxide in aquaculture nets.

MAKING USE OF POLYPROPYLENE BY RECYCLING US CARPETS AND RUGS

A second type of post-consumer waste input into the ECONYL[®] process, which is just as significant in terms of volume, is the Nylon 6 fraction from the recycling of carpets and rugs.

Like aquaculture nets, carpet is a multi-material product: it generally contains 35% Nylon 6 and 15% polypropylene (PP), with the remaining 50% made up of calcium carbonate and glues.

In order to obtain a Nylon 6 fraction suitable for inputting into the ECONYL[®] regeneration system, the Group has developed and patented a technology that allows the separation and recovery of the three main fractions that make up Nylon 6 carpets and rugs. Construction started in 2019 of two facilities in the US (ACR#1 and ACR#2) specifically for the disassembly of end-of-life carpeting and rugs. In addition to the Nylon 6 fraction, polypropylene is also recovered and given a new life: in 2020, about 550 tons of PP from recycled carpets were used (through an external company) for the production of indoor and outdoor/garden furniture.

BIO-CAPROLATTAME E NYLON BIO-BASED

Although the ECONYL[®] Regeneration System is an example of a sustainable circular model, chemical recycling alone is unlikely to enable the Group, and the Nylon 6 industry in general, to make its production processes completely independent of fossil-based raw materials. World population growth is accompanied by a continuous demand for new products that must necessarily be produced from virgin raw materials, not just from waste.

For this reason, the Group has decided to invest in the development of an innovative technology that makes it possible to produce caprolactam from renewable raw materials of plant origin instead of oil.

In 2018, a strategic partnership was created with Genomatica, a leading US bio-engineering company, aimed at developing the process of producing bio-caprolactam from renewable raw materials. This collaboration was subsequently extended to the entire supply chain (from the producer of raw materials to the final brands) through EFFECTIVE²⁵, an initiative co-funded by the Bio Based Industries Joint Undertaking (BBI JU) and implemented within the EU Horizon 2020 research programme.

The project's aim is to demonstrate on a pre-industrial scale the production of bio-polyamide and bio-polyester fibres and films from renewable raw materials, and to validate these products in the production of clothing, textile flooring and packaging. To this end, 12 organisations from 7 different countries are participating in the project. With regard to bio-polyamides, two main polymers are being developed within the project: bio-based Nylon 6 and a bio-based bi-monomeric polyamide that is currently not commercially available. While for bio-based Nylon 6 the main applications are in the textile flooring and clothing sectors, in the case of bi-monomeric polyamide the main focus is the production of monomaterial films for recyclable packaging.

As far as bio-based Nylon 6 is concerned, to date about 300 kg of bio-caprolactam have been produced which, following the completion of conversion tests and subsequent purification and polymerisation, will be used to produce the first batch of bio-based Nylon 6.

As for the bio-based bi-monomeric polyamide, the production process has been developed and validated both on a pilot and pre-industrial scale. The polymer obtained from the various tests has also been successfully validated in both the production of films and the production of yarns intended for residential textile flooring. Additional applications in the field of engineering polymers are currently being evaluated.

²⁵Grant Agreement N° 792195

2.6. Financial performance and value creation

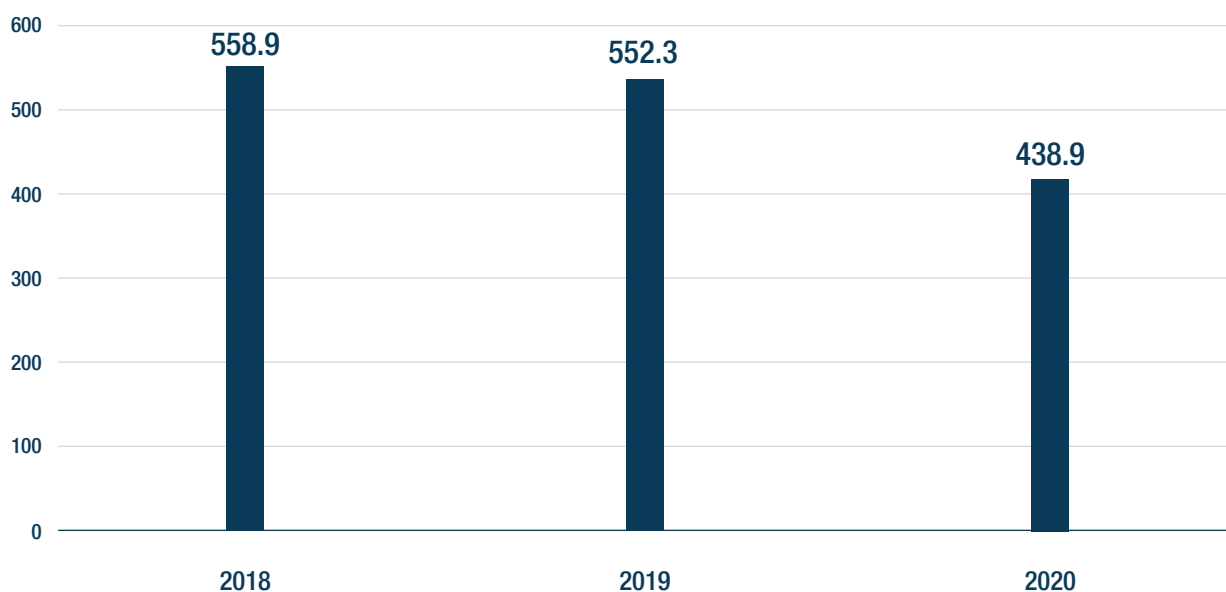
(GRI 201-1:2016; SDG 8; 9)

Aquafil's mission is to grow and generate wealth for the territory and all stakeholders, while maintaining a constant balance between the environmental, social and economic priorities that the Group pursues through its operations.

The economic value generated allows the fair remuneration of all those who, through their contribution in terms of work, investment, loans and other services, have contributed to the growth of the Group and the creation of wealth and well-being.

The revenue generated during 2020 amounted to Euro 438.9 million, which was significantly affected by the impact of the COVID-19 pandemic. Some thoughts on this have been included in the concluding section of this chapter.

Figure 17- GROUP REVENUES IN THE THREE-YEAR PERIOD 2018-2020, IN EURO MILLIONS



The stakeholders to whom wealth is redistributed are suppliers, employees, the public sector and, indirectly, the community as a whole.

Table 25 shows the economic value generated and distributed by the Group in 2020, and a comparison with previous years; for detailed information and comments on the Group's economic performance, please refer to the dedicated sections of the Directors' Report.



Table 25 - ECONOMIC VALUE GENERATED AND DISTRIBUTED BY THE GROUP IN THE THREE-YEAR PERIOD 2018-2020, THOUSANDS OF EURO

	2020	2019	2018	
Net sales	437,308.46	550,820.72	558,423.46	
ECONOMIC VALUE DIRECTLY GENERATED				
Revenues from financial investments	1,097.87	1,000.64	78.93	
Sale of goods	535.92	489.52	451.83	
Total revenue	438,942.25	552,310.88	558,954.22	
Suppliers	264,095.39	381,402.36	422,288.29	
Employees	102,049.04	112,562.17	104,408.62	
ECONOMIC VALUE DISTRIBUTED				
Providers of capital	7,337.59	7,067.58	5,360.38	
Public administration	2,330.79	5,050.09	5,092.19	
The community	81.26	81.90	95.41	
Total value	375,894.07	506,164.10	537,244.88	
ECONOMIC VALUE	Economic value generated - distributed	63,048.18	46,146.78	21,709.34

2.6.1. Tax compliance

(GRI 207-1:2019; GRI 207-2:2019; GRI 207-3:2019; GRI 207-4:2019; SDG 10)

Taxes are a fundamental way in which a company contributes to the economy, and therefore to the development, of the countries in which it operates. They are a value redistribution mechanism that allows governments to invest in the infrastructure and resources that the company then benefits from in order to carry on its business. For this reason, it is critical for each company to monitor its own compliance with tax regulations and ensure that compliance is also maintained throughout its supply chain.

In addition, it must be ensured that tax payments are made in accordance with the tax laws of each country in which the firm operates, which can vary considerably.

A detailed description of the taxation procedure adopted by the Group is provided in chapter 13.3 of the Directors' Report, and detailed information is provided in the notes to the financial statements (chapter 8.13 for income taxes and chapter 11.1 for commitments and risks).

Table 26 presents some information broken down by individual tax jurisdiction in which the Group operates, where 'tax jurisdiction' means the place where the various Group Companies are resident for tax purposes.

It then shows profits and losses before taxation, which varies from country to country, making it difficult to compare different jurisdictions; income taxes, referring to the taxable income of each Company; income taxes calculated on the basis of profits or losses; and the tax rates in force in different jurisdictions.²⁶

²⁶ACertain information required by GRI 207-4 is provided elsewhere in this report and in the consolidated financial statements.

Specifically:

- The names of resident entities, the Group's activity in each tax jurisdiction at paragraph 1.1;
- The number of employees at paragraph 2.4.2;
- Revenues from third-party sales parties (consolidated revenue) in the consolidated financial statements;
- Revenues from intra-group transactions are nil; this information can be obtained from the consolidated financial statements;
- Tangible assets other than cash and cash equivalents (total assets less cash and cash equivalents) in the consolidated financial statements.

Table 26 - INFORMATION ON TAX COMPLIANCE, VALUES IN THOUSANDS OF EURO CONVERTED AT THE AVERAGE EXCHANGE RATE, FOR 2020

TAX JURISDICTIONS	PRE-TAX PROFIT/LOSS	CURRENT CORPORATE INCOME TAXES	CORPORATE INCOME TAX ACCRUED ON PROFIT/LOSS	RATE
Italy	-1,247	0	-299	24%
China	7,673	1,407	1,918	25%
Thailand	722	120	144	20%
Slovenia	-3,564	16	-677	19%
USA	-2,617	-1,114	-571	22%
UK	-1,304	0	-248	19%
Germany	-1,275	-122	-320	25%
Slovakia	-149	0	-31	21%
Croatia	-200	0	-36	18%
Turkey	122	27	27	22%
Belgium	128	39	32	25%
Australia	53	5	5	9%

2.6.2. Thoughts on the COVID-19 pandemic

The COVID-19 pandemic that affected the entire year 2020 has had effects on the Group's economic performance and strategies, although in both cases these effects are, to date, temporary and reversible.

The economic aspects are a direct result of the changes in production levels that have occurred due to the pandemic. These changes have had a number of consequences, of which the change in the number of employees is particularly relevant here. The drop in production has meant that the Group has had to both reduce its workforce, where possible, and to take advantage of certain forms of state support, such as the Temporary Lay-Off Scheme, in which a total of around 134,860 hours were recorded.

With regard to the Group's development strategies, there have been changes compared with the pre-pandemic plans due to the need to take all the necessary measures in the short term to deal with the health emergency (paragraph 2.4.2.5). However, no decisions were taken that would definitively alter the Group's form or organisation, so that medium- and long-term strategies remained unchanged.

This is because it is impossible at the moment to predict the evolution of the situation in the medium to long term, and it is therefore also impossible to develop an organic vision of the future on which to base solid development strategies. In the absence of the elements required to assess the future context, a cautious approach is being maintained and all the measures that may be necessary from time to time will be adopted, without, for the moment, making radical or permanent changes to the company's business model.

For further details, please refer to paragraph 4 of the Directors' Report, "Significant events during fiscal year 2020: COVID-19 emergency."





3

RISKS RELATED TO NON-FINANCIAL ISSUES

(GRI 102-11:2016)

The following chapter sets out the main risk factors associated with non-financial issues affecting the Aquafil Group, together with the strategies and measures adopted to prevent and manage them.

Some of the main financial risks have also been included here, where they are most closely linked to or capable of affecting the non-financial issues identified by the Group. Further information on this type of risk can be found in the notes to the consolidated financial statements (chapter 3, Financial risk management).

For greater clarity, the risks have been linked to the topic areas of Legislative Decree 254/2016 and the Aquafil sustainability pillars.

Table 27 shows the list of risks identified, and they are described and discussed in the following paragraphs.

Table 27 - Table linking the topic areas of Legislative Decree 254/2016, the sustainability pillars and the material topics

LEGL. DECR. TOPIC AREAS	AQUAFIL SUSTAINABILITY PILLARS	AQUAFIL MATERIAL TOPICS
PERSONNEL	Well-being of individuals	Employment policies
		Worker health and safety
		Training of workers
		Diversity and equal opportunity
HUMAN RIGHTS	Collaboration with the Group's supply chains; Attention to people's well-being	Non-Discrimination
		Child labour
		Forced labour
		Human Rights
SOCIAL	Collaboration with the Group's supply chains	Supplier social assessment
		Customer health and safety
		Labelling and marketing
		Customer privacy
		Customer assessment
		Socio-economic compliance
	Local community support	Local communities
ECONOMIC	Multiple	Business performance
CORRUPTION	Multiple	Anti-corruption policies
		Anti-competitive behaviour
ENVIRONMENTAL TOPICS	Collaboration with the Group's supply chains	Supplier environmental assessment
	Environmental protection Rethinking of products from a circular perspective	Raw materials
		Energy consumption
		Water consumption
		Biodiversity
		Management of greenhouse gas emissions
		Waste production
		Environmental compliance

RISKS RELATING TO THE MATERIAL TOPIC & REFERENCE WITHIN THE DOCUMENT

- Loss of relevant key figures (Paragraph 3.1)
- Reduced appeal to potential new entrants/new talent (Paragraph 3.1)
- Personnel who do not meet the reputational, ethical or legal requirements required for the job (Paragraph 3.1)
- Failure to respect labour rights (clear and transparent working conditions, fair and proportionate remuneration, freedom of expression, right to privacy, data processing, trade union organisation etc.) (Paragraph 3.1)
- Failure to comply with worker health and safety and workplace compliance regulations (Paragraph 3.2)
- Inadequate training programmes (Paragraph 3.3)
- Failure to comply with diversity and equal opportunity regulations (Paragraph 3.4)
- Non-compliance with human rights legislation (Paragraph 3.5)
- Failure to monitor the supply chain (Paragraph 3.6)
- Failure to engage suppliers on social issues (Paragraph 3.6)
- Non-compliance with chemicals legislation (Paragraph 3.7)
- Failure to provide mandatory information to customers (Paragraph 3.8)
- Inadequate management of IT resources and data security (Paragraph 3.9)
- Customers not meeting reputational, ethical and financial/equity requirements (Paragraph 3.10)
- Legislative non-compliance on economic and social aspects (Paragraph 3.11)
- Possible misconduct but no real risks are identified (Paragraph 3.12)
- Losses caused by market conditions (Paragraph 3.13)
- Liquidity risk: difficulty in obtaining the necessary financial resources (Paragraph 3.13)
- Commercial credit risk (Paragraph 3.13)
- Use of financial operators that do not meet transparency, reputational, ethical, quality/competence requirements (Paragraph 3.13)
- Misappropriation of resources, or diversion of resources, to obtain illicit benefits (Paragraph 3.13)
- Violation of competition regulations (antitrust, insider trading, aggressive sales strategies, etc.) and anti-corruption regulations (Paragraph 3.14)
- Failure to monitor the supply chain (Paragraph 3.6)
- Failure to engage suppliers on environmental issues (Paragraph 3.6)
- Legislative non-compliance on environmental aspects (Paragraph 3.15)
- Inadequate business strategies (Paragraph 3.15)
- Losses caused by market conditions (Paragraph 3.15)
- Inadequate skills of those responsible for managing environmental issues or monitoring compliance with requirements (Paragraph 3.15)
- Climate change (Paragraph 3.15)

3.1. Employment policies

LOSS OF KEY FIGURES

The success of the Group largely depends on the capacity of various members of the management team to manage the group and the individual businesses efficiently. The loss of these key figures, where not adequately replaced, could thus impact negatively on the prospects of the business and on the results of the Group.

The possible consequences relate both to the loss of the knowledge possessed by these figures and to the various critical organisational issues that their departure from the Group may entail, such as the temporary overload of the remaining figures and the risk of company areas not being adequately supervised.

To prevent these situations, the Group has adopted a series of measures to ensure continuity in business management, such as the creation of an organisational structure for managing turnover, knowledge-sharing and a collective approach in making strategic decisions.

REDUCED APPEAL TO POTENTIAL NEW TALENT

The Aquafil Group understands that it is essential for a company to be attractive to external talent, and that this ability enables it to gain a significant competitive advantage and solid growth prospects. For these reasons, the risks identified include reduced attractiveness and the consequent failure to attract new qualified human resources. This in turn results in a limited supply of knowledge and new experience within the Group, which are important for enriching the skills and resilience of the company as external conditions change.

To reduce the likelihood of this occurring, the Aquafil Group adopts transparent employment policies, in which growth prospects are clearly communicated, thus demonstrating its commitment to creating professional relationships based on fairness and a long-term outlook and aimed at shared interests. The fact that the Group is strongly committed to the theme of Sustainable Development offers positive benefits in this area as well, helping to generate interest in future prospects.

PERSONNEL WHO DO NOT MEET THE REPUTATIONAL, ETHICAL OR LEGAL REQUIREMENTS FOR THE JOB

Among the main risks that fall under employment policies, but which are also strongly linked to training, non-compliance with ethical and legal requirements made mandatory by law or regulations in force within the Group has been identified.

Violation of legal provisions by personnel in the course of their duties can have legal consequences and, in some cases, may even lead to financial loss through the payment of fines; likewise, transgressing the ethical principles required in the course of their duties can have legal repercussions. In both cases, however, the reputational damage caused can be by far the most significant, leading to long-term consequences for the company that are not always measurable.

The measures adopted to counter this risk consist first of all in ensuring that, after receiving adequate training on the subject, all employees have understood and given their formal consent to the contents of the Code of Conduct and other internal regulations governing conduct; for this reason, they are attached to the letter of employment and illustrated during the initial stages of onboarding and entry into the company.

New recruits must also make their position clear, both with regard to the positions they have previously held and any pending charges, and in general the violation of regulations during their professional career is also monitored by the Group's Control, Risks and Sustainability Committee.

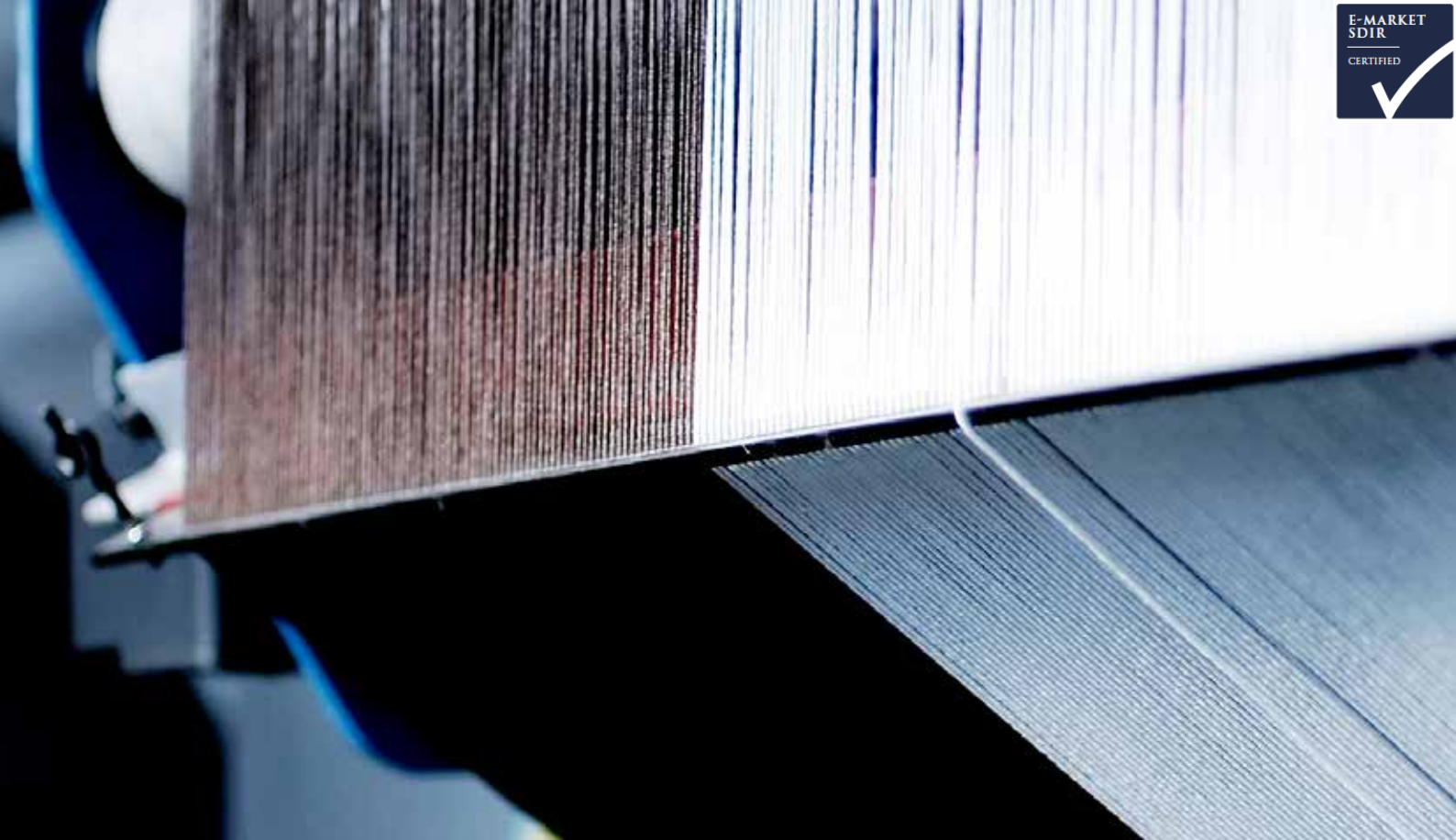
FAILURE TO RESPECT LABOUR RIGHTS

The Group guarantees its employees working conditions that respect all their rights. The risk of violating this principle, and therefore of harming in some way the people who work within the Group, may arise in different aspects and situations. Some of these cases are so significant that they create their own risk category, such as risks to worker health and safety, which is why they are discussed in a separate section.

The danger of disregarding other workers' rights, such as fair compensation, freedom of expression and association, privacy rights and transparent working conditions, has consequences primarily from a legal perspective, as these rights are protected by law. In addition, the negative consequences also affect the company's reputation and image.

In order to avoid violations of these rights, Aquafil has adopted internal regulations and disciplinary systems. The measures adopted include the Code of Conduct and the Organisation and Management Model (Paragraph 2.3), as well as a Supervisory Board with the task of ensuring compliance with the regulations and the establishment of a whistleblowing system for reporting abuses. Adherence to a national labour contract clearly remains the primary means of ensuring greater protection for workers.





3.2. Worker health and safety

FAILURE TO COMPLY WITH HEALTH AND SAFETY REGULATIONS

Among the main risks that a company must ensure are properly managed are those relating to employee health and safety in the workplace. To ensure that this happens, a number of regulations have been developed over time, the violation of which can lead to an increase in hazardous working conditions. Some examples of situations that may be created are the inadequate management and maintenance of machinery, the absence of safety equipment or the presence of unhealthy environments, and this in turn can lead to an increase in rates of workplace accidents.

The Group has taken all necessary measures to identify these risks and reduce them, and thus ensure compliance in this area. These measures include:

- The presence of specific company bodies responsible for monitoring compliance with the regulations, as well as checking for updates and their implementation;
- Certification of its plants in accordance with voluntary certification programs, such as SA8000 certification, which will be gradually rolled out to all Group locations;
- The establishment of appropriate employee training programmes on health and safety issues;
- An ongoing risk assessment process to monitor the management of known risks and assess the presence of any new risks;
- The establishment of health and safety committees, which allow workers to be consulted on the management of these issues and thus foster an open dialogue on the measures taken and possible improvements;
- The establishment of committees specifically to handle emergency situations;
- The presence of insurance covering industrial and third-party risks;
- Constant monitoring of work equipment used, to ensure it is compliant.

More information on the management of this issue may be found at paragraph 2.4.2.5.

3.3. Training of personnel

INADEQUATE TRAINING PROGRAMMES

Employee training covers a variety of areas and is a key element in ensuring the proper operation of the various corporate functions. The lack of appropriate training programmes therefore has effects on many aspects and operations, potentially generating consequences with varying degrees of severity.

Among the most serious outcomes are, for example, accidents due to lack of training on occupational health and safety issues and lack of or insufficient job-specific training. Inadequate training programmes also result in violations of the Code of Conduct, privacy regulations and increase the risk of violations of applicable laws regarding economic and financial issues. In addition, there are also negative consequences from a strategic point of view, as inadequate training includes cases of failure to transfer acquired knowledge between different Group locations or between different business areas.

Finally, a lack of or insufficient professional training harms both the employees, who see their prospects for growth within the company reduced, and the Group because of the failure to exploit the potential they could fulfil, to the benefit of company development. To adequately address this risk, Aquafil uses different tools:

- The establishment of committees that foster dialogue between different business areas and roles to encourage knowledge exchange;
- Specific professional training programmes for every job;
- Training programmes on health and safety issues when personnel are hired;
- Delivery of informational materials and PPE;
- Tracking the training completed by each employee using dedicated forms;
- Training of new recruits by shadowing experienced staff.

Additional information regarding employee training can be found at paragraph 2.4.2.3.

3.4. Diversity and equal opportunity

FAILURE TO COMPLY WITH RELEVANT REGULATIONS

Violation of the rules governing respect for diversity and equal opportunity can occur in incidents such as gender discrimination, discrimination against persons of different sexual or religious orientation, racial discrimination and in general in all situations in which there is a form of disrespect for the dignity of an individual where protection is provided by the regulatory system.

To prevent the occurrence of such incidents, the Group has adopted various measures including requiring all its employees to formally accept the Code of Conduct and comply with the provisions of the Organisation, Management and Control Model. In addition, it has set up the Supervisory Board to ensure compliance with the regulations and standards in force, has created a whistleblowing system to encourage the reporting of incidents of violation of rights and discrimination and is gradually rolling out SA 8000 certification to all its plants.

Finally, the Group adheres to national contracts in the countries where these exist, so as to ensure equal pay for all employees. With the specific aim of remedying the inequalities in numbers of men and women in the various corporate roles it has started a process of improvement that has already led to positive results such as the new appointment of some female Executives, which will be visible in the reporting for 2021.

3.5. Protection of human rights

LEGISLATIVE NON-COMPLIANCE

Human rights protection includes managing non-discrimination, child labour and forced labour.

All company activities must be carried out in full compliance with the regulations aimed at protecting all aspects of human rights. This means that the company must be aware of these regulations and any updates to them, must train its employees to create a culture of respect, ensure that they are aware of the behaviours to be followed and must have sufficient oversight to detect violations of the regulations.

If these measures are not taken and human rights are violated as a result, the company may incur penalties and suffer economic damage, as well as being involved in legal action that could lead to a limitation of its ability to operate. It may also suffer heavy damage to its image that could translate into a loss of customers and consequent further economic losses.

The measures taken by the Group to mitigate these risks are:

- The presence of specific company bodies, such as the Supervisory Board, responsible for monitoring compliance with the regulations, as well as checking for updates and their implementation;
- Joining voluntary certification programmes, such as SA8000 certification, which will be gradually rolled out to all Group locations;
- The establishment of appropriate employee training programmes on issues relating to discrimination and respect for human rights;
- Collaboration with NGOs or other entities engaged in these areas that can strengthen the Group's internal culture;
- The creation of anonymous tools for reporting incidents of rights violations.

3.6. Social and environmental assessment of suppliers

FAILURE TO MONITOR THE SUPPLY CHAIN

The Group monitors compliance throughout the value chain with regulations and ensures that its environmental and social commitments are shared. This monitoring entails difficulties linked to the different regulations applicable in the various countries in which the Group operates, the way in which partner companies apply them and, finally, the procedures for verifying compliance.

Keeping a constant eye on this aspect contributes decisively to mitigating the risk of entering into agreements with players who engage in unlawful conduct and, in general, to avoiding relations with suppliers who do not meet the social and environmental requirements that the Group has set itself.

To respond to this risk Aquafil:

- Requires its suppliers to comply with the Code of Conduct;
- Adheres to voluntary certification systems such as SA8000 certification, which lays down specific requirements for the ethical management of suppliers;
- Uses an Environmental Management System;
- Constantly assesses the risks of violation of social and environmental responsibility requirements by the players in the supply chain and takes the measures required by the degree of risk identified;
- Includes ethical and environmental requirements, and the risk of their violation, as criteria when selecting suppliers and markets in which to invest;
- Performs a periodic evaluation of suppliers in which the criteria include ethical and environmental requirements;
- Has created the ECONYL® Qualified protocol (Paragraph 2.4.3.1);
- Has created guidelines for communicating and monitoring compliance with environmental requirements in the supply chain;
- Has created an internal working group that supports the Group's plants on issues connected with the REACH regulation;
- Has developed a database that includes all chemicals used, including along the supply chain, to promote transparent communication on the issue;
- Sets up training programmes on environmental and social issues.

FAILURE TO ENGAGE SUPPLIERS

The risk of violation of ethical and environmental requirements by suppliers goes hand in hand with the risk of failure to engage suppliers, since in order to be able to monitor compliance with the regulations and also to encourage the creation of a culture of environmental and social sustainability it is necessary for suppliers to be actively involved, rather than merely requesting them to comply with codes of conduct.

In the absence of this engagement it is not possible to obtain a lasting response to attempts to share virtuous behaviours along the supply chain, and it is also impossible to achieve a full awareness of what suppliers' needs are and the motivations that drive their business choices.

In order to ensure that control of the supply chain also translates into supplier engagement, the Group encourages suppliers' participation in initiatives and programmes on social and environmental sustainability issues, as well as in the drawing up of codes of conduct, through the opening of communication and consultation channels aimed at making these regulations a shared tool, not an imposed requirement. One example is the creation of the ECONYL® Qualified protocol, which, as explained in detail in paragraph 2.4.3.1, was created in collaboration with suppliers.

3.7. Customer health and safety

NON-COMPLIANCE WITH CHEMICALS LEGISLATION

The use of chemicals is subject to regulations designed to ensure the safety of workers and customers in terms of health. Violations of these rules result in penalties and possible damages, as well as significant reputational damage and possible loss of customers.

In addition, legal consequences could also lead to a temporary interruption of the production process or supply chain, due to the need to identify the operations involved in the violation and to remedy the irregularities.

Since this issue is particularly close to the Group's core production, many measures have been taken especially to prevent customers from being harmed by the use of chemicals.

These include:

- The presence of specific company bodies responsible for monitoring compliance with the regulations, as well as checking for updates and their implementation;
- the adoption of an Environmental Management System, which also includes the proper management of chemicals;
- the adoption of guidelines for control and communication regarding the use of chemicals;
- the creation of a database, periodically updated, that contains all the chemicals used;
- the creation of an internal working group specifically dedicated to supporting Group plants and stakeholders on issues relating to the REACH regulation;
- OEKO-TEX certification for flooring yarn.

3.8. Labelling and marketing

FAILURE TO COMMUNICATE WITH CUSTOMERS

Labels are a fundamental tool for communicating to customers the information that the company must provide by law, and therefore the company is required to be aware of the relevant regulatory provisions and any updates. Failure to have this knowledge may result in penalties due to the violation of the law, as well as to a possible temporary interruption of the marketing of products until the company has met its obligations.

The measures taken to mitigate this risk have been, first and foremost, the creation of a technical data sheet that accompanies the product and provides complete and clear information on all useful and required information, as well as the constant monitoring of regulatory developments carried out by company bodies with the specific role of ensuring that the Group complies with legal provisions.

3.9. Customer privacy

INADEQUATE MANAGEMENT OF IT RESOURCES AND DATA SECURITY

The management of the business activities of the Group is supported by a complex network of IT tools and systems. The necessary interconnection of company IT systems with external IT infrastructure (web and networks) exposes these systems to potential risks in terms of availability, integrity and confidentiality of data. In addition, risks in this area may arise from inadequate training and knowledge on the part of employees concerning the proper management of data and IT resources.

In order to guarantee operational continuity, the Group has for some time implemented a disaster recovery and business continuity system which allows for a quick recovery of the main system stations in the event of anomalies. In addition, active data and business application security is guaranteed by multiple levels of protection, both physical and logistical, at server level and client level, and authentication and database and network access procedures. Finally, data protection and related obligations have been included in the Code of Conduct and therefore the company pays particular attention to them.

3.10. Customer assessment

CUSTOMERS NOT MEETING REPUTATIONAL, ETHICAL AND FINANCIAL/EQUITY REQUIREMENTS

The assessment of the players that make up the value chain also includes customers, since they are stakeholders with whom the Group interacts and whose behaviour can have a direct impact on its ability to comply with the ethical and social sustainability principles it has chosen to adopt.

For this reason, the Group intends to gradually extend to its customers not only the evaluation of their work, ensuring that it complies with its Code of Conduct, but also their involvement in the drafting of regulations and codes of conduct. In this way, Aquafil is actively committed to the creation of a responsible supply chain, while reducing the risk of being associated, even indirectly, with actions that could damage its image

3.11. Socio-economic compliance

LEGISLATIVE NON-COMPLIANCE ON ECONOMIC AND SOCIAL ASPECTS

It is essential for the Group to comply with all the legal provisions in force in the countries in which it operates and to constantly monitor developments in order to take the necessary steps to adjust to changes. If this were not done, the above-mentioned consequences in terms of legal measures and sanctions might ensue.

Attention is also paid to all the regulations that govern social and economic aspects in each country where the Group is present. These include, for example, regulations on the protection of working conditions, discrimination, various forms of exploitation, competition and against phenomena such as corruption or accounting and tax fraud. These aspects have been dealt with in connection with other risks identified by the Group. Reference should therefore be made to the following paragraphs for further information:

- Paragraphs 3.1, 3.2, 3.3, 3.4 for issues related to worker protection and diversity and equal opportunity in the workplace;
- Paragraph 3.5 for human rights and exploitation issues;
- Section 3.13 for compliance on economic and financial issues;
- Section 3.14 for issues relating to corruption and anti-competitive behaviour.

To summarise the above paragraphs, the Group has equipped itself with all the tools and corporate organisation necessary to ensure full legislative compliance in all the countries in which it operates. Among these tools are the Code of Conduct and the Organisation, Management and Control Model, as well as SA8000 certification or other certifications and environmental management systems that encourage compliance in various areas, and employee training programmes. For a more detailed discussion of the certifications and management systems adopted, see paragraph 2.5.1.

3.12. Local communities

No real hazards have been identified in this area, except for those that are already covered in other areas which may also affect local communities.

3.13 Business performance

LOSSES CAUSED BY MARKET CONDITIONS

Many factors which impact the general economic environment, such as interest rate movements and exchange rate movements, principally between the Euro and US Dollar, raw material costs, particularly oil, may affect the economic and financial situation faced by the Group:

- strategic policies targeting strong regional diversification (sales distributed throughout the world and a focus on local production in consuming countries);
- strong leadership position in its “core” sector (Bulk Continuous Filament);
- continual drive to innovation and attention to market developments.

In addition, significant exchange rate movements in currencies other than the Euro could negatively impact the financial results and the equity value of the Group. However, many Group companies are exposed to a contained level of exchange rate risk, as in the individual countries a portion of cash flows, both in relation to sales and also costs are denominated in the local currency of the country. The Group, and not for speculative purposes, also carries out exchange rate hedging operations.

In the same manner the Group is exposed to changes in interest rates, as these impact the cost and return of the various forms of lending and uses, with an effect therefore on the consolidated net financial income.

Aquafil seeks to limit the interest rate fluctuation risk through undertaking a part of its medium/long term loans at a fixed rate or by undertaking interest rate hedging instruments.

The volatility of oil and energy commodity prices is offset through contractual hedging and/or raw material price and energy sources and sales price indexing contracts.

LIQUIDITY RISK: DIFFICULTY IN OBTAINING THE NECESSARY FINANCIAL RESOURCES

The liquidity risk which the Group could encounter is represented by the incapacity or difficulty to source adequate financial resources in order to ensure operational continuity and development of its industrial activities.

The liquidity situation of the Group principally derives from two key factors: on the one hand, the resources generated or absorbed by operating and investing activities, and on the other the use of financial resources and the maturity dates and renewal of payables.

Aquafil can avail of on-demand liquidity, as well as significant levels of credit lines granted by various Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financing activities, are sufficient to meet the liquidity needs deriving from the various activities of the Group

COMMERCIAL CREDIT RISK

The Group is exposed to the risks connected with delays in customer payments or in general with difficulties in the collection of receivables, as well as to the risk of general reduction in customer credit lines limits set by credit insurance companies which might lead to a worsening of credit risk and/or a negative impact on the growth prospects of the businesses and on the Group's economic results.

In order to limit the credit risk, the Group:

- Uses valuation instruments on each individual counterparty through a dedicated credit management organisation structure;
- Has stipulated specific insurance policies on the exposure with customers;
- Uses external companies providing corporate information both to initially evaluate reliability and on-going monitoring of the economic and financial situation of clients.

USE OF FINANCIAL OPERATORS THAT DO NOT MEET TRANSPARENCY, REPUTATIONAL, ETHICAL, QUALITY/COMPETENCE REQUIREMENTS

Financial operators are potentially liable for conduct that violates the Code of Conduct and other regulations governing actions to ensure that the Group's core values are upheld.

For this reason, Aquafil monitors their actions and uses its own company bodies, responsible for ensuring that the regulations are complied with, for this purpose. It also has specific controls on financial matters in order to reduce as far as possible the possibility of illegal actions being taken which could involve the Group, whether directly or indirectly, and therefore cause it to suffer damage.

MISAPPROPRIATION OF RESOURCES, OR DIVERSION OF RESOURCES, TO OBTAIN ILLICIT BENEFITS

This risk includes all actions taken by persons within the Group aimed at obtaining advantages through the illegal misappropriation of resources. These behaviours are particularly serious as they are capable of damaging the Group from several points of view:

- legal, if resources are misappropriated and then used in further activities in violation of the law;
- reputational, as associating the company with such conduct results in image damage in the eyes of all external stakeholders;
- assets, as these resources are necessary for the development and regular running of the Group's operations, which is therefore obliged to find new resources with an increase in costs and a possible slowdown in normal production and commercial activities.

There is an extremely wide variety of actions falling into different areas, including, for example, the creation of false invoices, the transfer of capital to tax havens, the transfer of money for the purpose of concealing its illicit origin, the use of cash for laundering purposes, false tax returns, the preparation of false transactions and theft of or tampering with property and goods.

In order to prevent this from happening, the Group, in addition to imposing the acceptance of the Code of Conduct on its employees and producing an appropriate Organisation, Management and Control Model, controls its assets by means of inventory tools and uses its IT resources to keep operations carried out by employees in the financial field constantly under review, ensuring that any type of transfer is carried out exclusively by authorised persons, is authorised by managers and is carried out in compliance with the established procedures. Monthly and annual audits are also scheduled to check all correspondence, including correspondence by third-party, independent companies.

3.14 Anti-corruption policies and anti-competitive behaviour

VIOLATION OF COMPETITION RULES

These are risks associated with behaviours that are already governed by state law and therefore non-compliance leads to the consequences laid down by law. As regards the countermeasures adopted within the Group, reference should be made to those indicated in relation to the "economic performance" area, in paragraph 3.13.

3.15. The environment

LEGISLATIVE NON-COMPLIANCE ON ENVIRONMENTAL ASPECTS

The Group's focus on ensuring compliance with the regulations in force concerning all the issues dealt with in the preceding paragraphs also applies to compliance with environmental regulations, and is particularly emphasised. This focus is linked to how central these issues are for the Group, for which environmental sustainability and the circular economy are two fundamental elements of its growth strategy.

To ensure full and ongoing compliance with environmental legislation, the Group uses the same resources employed to ensure compliance in the other areas mentioned above. In addition to these, the company has adopted an ISO 14001 certified Environmental Management System, which makes the company system more structured and efficient, thus facilitating regulatory compliance.

INADEQUATE BUSINESS STRATEGIES

The adoption of inadequate business strategies can occur in a variety of situations. This risk is addressed with a particular focus on the environmental aspect, as it is a very important area for the Group.

One of the elements that can produce a risk to the Group's strategies, making them no longer suitable for the context, is changes to regulations and the consequent adjustment made by the Group.

One example is the risk that modifications to European Regulations in relation to importation, movement and storage of waste, or situations which no longer permit compliance with current regulations, may increase the complexity, or limit the possibility, to maintain and/or expand the significant activity of recycling and recovery of raw materials from waste, which is central for the Group.

Risks linked to business strategies include, more generally, all factors that can influence opportunities and threats to business activities, such as authorisation risks, risks of delays in the development or implementation of new initiatives, risks of increases in operating costs and costs of materials and services and risks linked to possible changes to existing technologies.

To counteract strategic risks, the Group:

- is always ready to accept new business opportunities, both in terms of regional reach and business segments, also relating to the procurement of raw materials;
- carefully chooses the most suitable manner for integration to each situation and local market;
- evaluates every initiative, also of strategic partnership, which may increase the value of the Group, through a reduction of the net debt and/or improvement of the cash generating capacity.

Other measures taken specifically for strategic environmental risks include:

- The adoption and maintenance of voluntary certifications, for both processes and products, in the environmental field, ensuring constant control of specific environmental aspects;
- The adoption of Environmental Management Systems to encourage the consideration of environmental issues at every level of the company and promote their control. This also aids in the identification of specific environmental risks for each Group plant and the better organisation of activities;
- The adoption of environmental criteria in the design of activities, products and services, to reduce at source and as much as possible the possibility of future environmental problems.

In addition, one of the strategic risks specific to the environmental sphere is linked to the need to ensure that the company has a constant and adequate supply of energy, which is fundamental for carrying out operations in every area of the company. Changes in market conditions such as an increase in demand for energy from renewable sources, resulting in reduced availability and increased prices, could result in the Group not having access to renewable energy sources. This in turn could lead to the use of fossil energy sources to be able to guarantee the necessary energy supply, with negative consequences on the Group's environmental and climate impact.

This is a situation that Aquafil manages by ensuring adequate diversification of energy supply, in terms of both sources and suppliers.



LOSSES CAUSED BY MARKET CONDITIONS

For a discussion of this risk, please refer to paragraph 3.13.1 as the same changes in the environment that can result in economic losses for the Group, such as fluctuations in exchange rates, changes in interest rates and, above all, changes in commodity prices and availability, also apply to environmental aspects such as the supply of energy and raw materials. It should also be added that such changes in market conditions can both encourage and hinder a shift to more sustainable alternatives, as noted in the section on strategic risks above. If a certain raw material or energy source were to become more readily available than another, or if price changes were to direct choices in these areas, this could translate into advantages or disadvantages in terms of environmental impact.

INADEQUATE SKILLS

Finally, we would like to mention the risk linked to inadequate knowledge of environmental sustainability issues on the part of those responsible for managing their implementation in the company or monitoring compliance with requirements and standards. This happens when the complexity of environmental sustainability is not properly taken into account and can lead to consequences such as incorrect investments, wrong business strategies on environmental issues, choice of unsuitable suppliers or other actions that can lead to a waste of resources or, worse, considerable economic and image damage.

Measures taken to mitigate this risk include:

- Training of the relevant personnel, including through participation in research projects on the theme of environmental sustainability financed by the European Union;
- Hiring people with a high profile and in-depth knowledge of the subject matter;
- Active and long-term collaboration with consulting firms with proven experience in the field.

CLIMATE CHANGE

The special feature of this topic is that, although it is undoubtedly a critical issue at a global level, for Aquafil it represents an opportunity in terms of development, rather than a risk.

This is the result of the focus the Group has always had on environmental protection issues, which obviously include climate change, and which has been reflected in precise strategic choices for company development. The Group has increasingly focused its offer on a product with low environmental impact, to provide a viable alternative to the use of virgin raw materials of fossil origin. In this way it has become a benchmark for other companies, for which Aquafil products have provided the answer to their need to improve environmental performance. The growing public focus on climate change, and the consequent increasing need of an ever-increasing number of companies and sectors to find low-impact products, has therefore favoured and continues to favour the Group's growth. Therefore, it does not feel threatened by the impacts on the market caused by climate change.

This view is also based on awareness that the products offered by Aquafil, in addition to having high application flexibility, are not among the products directly responsible for fuelling climate change, and consequently most affected by the drive for change to more sustainable alternatives.

This situation means that Aquafil is also prepared to deal with changes in climate legislation in the various countries in which it operates, without this having a significant negative impact on markets of interest to it.

In addition to the commercial offer responding to the need for products with a low climate impact, the Group has a constant commitment to reducing its own impacts, with continuous investments aimed at increasing efficiency in the use of resources and monitoring performance.







4.

ANNEXES: GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PARAGRAPH	OMISSIONS
GRI 101: Reporting principles 2016			
General Disclosures			
	102-1 Name of the organization	Paragraph 1.1 The Aquafil Group	-
	102-2 Activities, brands, products, and services	Paragraph 1.1.1 Product areas	-
	102-3 Location of headquarters	Paragraph 1.1 The Aquafil Group	-
	102-4 Location of operations	Paragraph 1.1 The Aquafil Group	-
	102-5 Ownership structure and legal form	Paragraph 1.2 Corporate Governance	-
	102-6 Markets served	Paragraph 1.1.2 Reference markets	-
	102-7 Scale of the organization	Paragraph 1.1 The Aquafil Group Paragraph 2.4.2.1 Aquafil Personnel Paragraph 2.6 Economic performance and value creation	-
	102-8 Information on employees and other workers	Paragraph 2.4.2.1 Aquafil personnel	-
	102-9 Supply chain	Paragraph 2.4.3 Relationships with stakeholders (Supplier selection and engagement)	-
	102-10 Significant changes to the organization and its supply chain	Paragraph 1.3 Scope of reporting	-
	102-11 Precautionary principle	Paragraph 3 Risks related to non-financial issues	-
	102-12 External initiatives	Paragraph 2.4.3 Relationships with stakeholders	-
	102-13 Membership of associations	Paragraph 2.4.3 Relationships with stakeholders	-
	102-14 Statement from senior decision-maker	Chairman's letter	-
	102-16 Values, principles, standards and norms of behaviour	Paragraph 2.3.2 Code of Conduct	-
GRI 102: General disclosures 2016	102-18 Governance structure	Paragraph 1.2 Corporate Governance	-
	102-40 List of stakeholder groups	Paragraph 2.2.2 Prioritising the issues identified	-
	102-41 Collective bargaining agreements	Paragraph 2.4.2.2 Contracts and remuneration	-
	102-42 Identifying and selecting stakeholders	Paragraph 2.2.2 Prioritising the issues identified	-
	102-43 Approach to stakeholder engagement	Paragraph 2.2.2 Prioritising the issues identified	-
	102-44 Key topics and concerns raised	Paragraph 2.2.2 Prioritising the issues identified	-
	102-45 Entities included in the consolidated financial statements	Paragraph 1.3 Scope of reporting	-
	102-46 Defining report content and topic boundaries	Paragraph 2.2 The sharing approach	-
	102-47 List of material topics	Paragraph 2.2 The sharing approach	-
	102-48 Restatements of information	Methodological note	-
	102-49 Changes in reporting	Methodological note	-
	102-50 Reporting period	Methodological note	-
	102-51 Date of most recent report	Methodological note	-
	102-52 Reporting cycle	Methodological note	-
	102-53 Contact point for questions regarding the report	Methodological note	-
	102-54 Claims of reporting in accordance with the GRI Standards	Methodological note	-
	102-55 GRI content index	Annexes: Content index	-
	102-56 External assurance	Methodological note	-

MATERIAL TOPICS			
Business performance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.2 The sharing approach. Paragraph 2.6 Economic performance and value creation	-
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	Paragraph 2.6 Economic performance and value creation	-
GRI 207: Imposte 2019	207-1 Approach to tax 207-2 Tax governance, control and risk management 207-3 Stakeholder engagement and management of concerns related to tax 207-4 Country-by-country reporting	Paragraph 2.6 Economic performance and value creation	-
Anti-corruption			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Paragraph 2.3.1 Organisation, Management and Control Model	-
Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Paragraph 2.3.1 Organisation, Management and Control Model	-
Raw materials			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Paragraph 2.5.3 Environmental performance of production processes	-
Energy consumption			
GRI 103:2016 Management approach	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Paragraph 2.5.3 Environmental performance of production processes	-
Water consumption			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge	Paragraph 2.5.3 Environmental performance of production processes	No distinction between freshwater and other water is currently included, either in terms of withdrawals or discharges.
Biodiversity			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.3 Local community projects	-
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Paragraph 2.4.3.3 Local community projects	-
Management of greenhouse gas emissions			
GRI 103: Modalità di gestione 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Paragraph 2.5.3 Environmental performance of production processes	-
	305-2 Energy indirect (Scope 2) GHG emissions	Paragraph 2.5.3 Environmental performance of production processes	-

Waste production			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 306: Waste 2020	306 -1 Waste generation and significant waste-related impacts 306 - 2 Management of significant waste-related impacts 306 - 3 Waste generated	Paragraph 2.5.3 Environmental performance of production processes	-
Environmental compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.1 Voluntary certifications	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Paragraph 2.5.1 Voluntary certifications	-
Supplier environmental assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Employment policies			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.2 Contracts and remuneration	-
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Paragraph 2.4.2.2 Contracts and remuneration	-
Occupational health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.5 Protection of worker health and safety	-
GRI 403: Occupational health and safety 2018	Information from 403-1 to 403-7 403-9 Work-related injuries	Paragraph 2.4.2.5 Protection of worker health and safety	Currently the number and rate of work-related injuries with serious consequences is not reported.
Training of workers			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.3 Training	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Paragraph 2.4.2.3 Training	-
Diversity and equal opportunity			
GRI 405: Diversity and equal opportunity 2016	405-1 – Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men	Paragraph 2.4.2.1 Aquafil personnel Paragraph 2.4.2.2 Contracts and remuneration	Currently total pay is not reported; this calculation will be detailed further in future years.
Non-discrimination			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social Responsibility for the protection of human rights	-
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Paragraph 2.4.1 Social Responsibility for the protection of human rights	-
Child labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social Responsibility for the protection of human rights	-

GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Forced labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Human Rights			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 412: Human rights assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Local communities			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.3 Local community projects	-
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Paragraph 2.4.3.3 Local community projects	-
Supplier social assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Customer health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.1.2 Product certifications	-
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories.	Paragraph 2.5.1.2 Product certifications	-
Labelling and marketing			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.2 Customer relations	-
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labeling	Paragraph 2.4.3.2 Customer relations	-
Customer privacy			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Paragraph 2.3.2 Code of Conduct	-
Socio-economic compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Paragraph 2.3.2 Code of Conduct	-

BCF

(yarn for textile floorings)

With our yarns, beautiful and comfortable carpets are being produced everyday. Thanks to our regenerated ECONYL® yarn, these carpets are sustainable and can be utilized for many generations to come

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Consolidated Financial Statements at December 31, 2020

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Note	At December 31, 2020	At December 31, 2019
Intangible assets	7.1	23,578	21,101
Goodwill	7.2	13,600	13,029
Property, plant & equipment	7.3	229,495	251,492
Financial assets	7.4	650	765
<i>of which parent companies, related parties</i>		318	313
Other assets	7.5	1,336	2,189
Deferred tax assets	7.6	14,563	13,636
Total non-current assets		283,223	302,212
Inventories	7.7	150,920	184,931
Trade receivables	7.8	22,015	24,960
<i>of which parent companies, related parties</i>		66	69
Financial assets	7.4	834	1,637
Tax receivables	7.9	1,772	1,639
Other assets	7.10	11,981	12,126
<i>of which parent companies, related parties</i>		3,187	2,231
Cash and cash equivalents	7.11	208,954	90,400
Assets held-for-sale		0	428
Total current assets		396,475	316,120
Total assets		679,698	618,332
Share capital	7.12	49,722	49,722
Reserves	7.12	92,585	81,813
Group net result	7.12	(15,411)	10,799
Total parent company net equity		126,897	142,335
Minority interest shareholders' equity	7.12	1	1
Minority interest net profit	7.12	0	0
Total consolidated net equity		126,897	142,336
Employee benefits	7.13	5,969	5,721
Financial liabilities	7.14	352,560	286,970
<i>of which parent companies, related parties</i>		5,406	9,624
Provisions for risks and charges	7.15	1,506	1,508
Deferred tax liabilities	7.6	11,761	10,915
Other liabilities	7.16	11,848	15,383
Total non-current liabilities		383,644	320,497
Financial liabilities	7.14	75,964	54,733
<i>of which parent companies, related parties</i>		3,361	3,572
Current tax payables	7.18	1,189	1,127
Trade payables	7.17	69,168	76,089
<i>of which parent companies, related parties</i>		403	127
Other liabilities	7.16	22,835	23,551
<i>of which parent companies, related parties</i>		230	236
Total current liabilities		169,157	155,499
Total net equity and liabilities		679,698	618,332

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Note	At December 31, 2020	of which non-recurring	At December 31, 2019	of which non-recurring
Revenues	8.1	436,602	458	548,955	
<i>of which related parties</i>		53		58	
Other revenues and income	8.2	10,265	213	2,555	229
Total revenues and other revenues and income		446,867	671	551,509	229
Cost of raw materials and changes to inventories	8.3	(209,825)	(101)	(282,841)	(124)
Service costs and rents, leases and similar costs	8.4	(86,067)	(2,087)	(100,412)	(3,584)
<i>of which related parties</i>		(446)		(491)	
Labour costs	8.5	(101,867)	(3,056)	(113,281)	(5,849)
Other costs and operating charges	8.6	(4,430)	(828)	(4,194)	(1,129)
<i>of which related parties</i>		(70)		(70)	
Amortisation and write-downs	8.7	(43,600)		(37,765)	
Provisions & write-downs	8.8	(632)		(325)	
Write-downs of financial assets (receivables)	8.8	(346)		(230)	
Increase in internal work capitalised	8.9	5,830		4,927	
Operating profit		5,929	(5,402)	17,389	(10,457)
Financial income	8.10	352		1,195	1,082
Financial charges	8.11	(7,982)		(7,573)	
<i>of which related parties</i>		(226)		(252)	
Exchange gains/losses	8.12	1,780		(488)	
Profit before taxes		79	(5,402)	10,524	(9,375)
Income taxes	8.13	517		(1,519)	750
Profit for the year		595	(5,402)	9,005	(8,625)
Minority interest net profit		0		0	
Group Net Profit		595	(5,402)	9,005	(8,625)
<i>Basic earnings per share</i>	8.15	0.01		0.18	
<i>Diluted earnings per share</i>	8.15	0.01		0.18	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Note	At December 31, 2020	At December 31, 2019
Profit for the year		595	9,005
Actuarial gains/(losses)		(344)	(141)
Tax effect from actuarial gains and losses		5	34
Other income items not to be reversed to income statement in subsequent periods		(340)	(107)
Currency difference from conversion of financial statements in currencies other than the Euro		(15,666)	1,901
Other income items to be reversed to income statement in subsequent periods		(15,666)	1,901
Total comprehensive income	7.12	(15,411)	10,799
Minority interest comprehensive income		0	0
Group comprehensive income	7.12	(15,411)	10,799

CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	Note	At December 31, 2020	At December 31, 2019
Operating activities			
Profit for the year		595	9,005
<i>of which related parties:</i>		(689)	(755)
Income taxes	8.13	(517)	1,519
Financial income	8.10	(352)	(1,195)
Financial charges	8.11	7,982	7,573
<i>of which related parties:</i>		(226)	(252)
Exchange gains/(losses)	8.12	(1,780)	488
Asset disposal (gains)/losses		(162)	(476)
Provisions & write-downs	8.8	632	325
Write-downs of financial assets (receivables)	8.8	346	230
Amortisation, depreciation & write-downs of tangible and intangible assets	8.7	43,600	37,770
Non-monetary change IFRS 16	7.3	(3,541)	(901)
Cash flow from operating activities before working capital changes		46,805	54,336
Decrease/(Increase) in inventories	7.7	34,187	10,177
Increase/(Decrease) in trade payables	7.17	(6,920)	(32,905)
<i>of which related parties:</i>		276	(635)
Decrease/(Increase) in trade receivables	7.8	2,599	12,975
<i>of which related parties:</i>		3	(3)
Changes to assets and liabilities		(7,510)	5,440
<i>of which related parties:</i>		(1,076)	(366)
Net paid financial charges		(7,631)	(6,377)
Income taxes paid		(326)	(2,548)
Utilisation of provisions		(945)	(830)
Cash flow generated/(absorbed) from operating activities (A)		60,258	40,267
Investing activities			
Investments in tangible assets	7.3	(21,851)	(48,196)
Disposal of tangible assets	7.3	1,121	1,017
Investments in intangible assets	7.1	(6,020)	(7,876)
Disposal of intangible assets	7.1	80	2
Business combinations		(2,771)	(36,076)
<i>of which fixed assets</i>		(922)	(18,687)
<i>of which goodwill</i>		(1,673)	(13,029)
<i>of which liquidity</i>		0	116
<i>of which current assets</i>		(176)	(4,476)
Investments in financial assets		(5)	0
Cash flow generated by investing activities (B)		(29,445)	(91,130)
Financing activities			
Drawdown non-current bank loans and borrowings	7.14	105,000	103,000
Repayment non-current bank loans and borrowings	7.14	(12,485)	(45,425)
Net changes in current financial assets and liabilities	7.14	(4,774)	(7,317)
<i>of which related parties:</i>		(4,428)	1,275
Distribution of dividends		0	(12,273)
<i>of which related parties:</i>		0	(7,316)
Cash flow from generated/(absorbed) by financing activities (C)		87,741	37,985
Net cash flow in the year (A) + (B) + (C)		118,554	(12,877)
Opening cash and cash equivalents	7.11	90,400	103,277
Closing cash and cash equivalents	7.11	208,954	90,400

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
At December 31, 2018	49,723	8	(11,415)	19,975	(3,287)
Sale minority interest					
Other changes					
Allocation of prior year result		509			
Distribution of dividends					
Result for the year					
Actuarial gains/(losses) employee benefits					
Translation difference			1,901		
Comprehensive income			1,901		
At December 31, 2019	49,723	517	(9,514)	19,975	(3,287)
Sale minority interest					
Other changes					
Allocation of prior year result		148			
Distribution dividends					
Result for the year					
Actuarial gains/(losses) employee benefits					
Translation difference			(15,666)		
Comprehensive income			(15,666)		
At December 31, 2020	49,723	665	(25,180)	19,975	(3,287)

FTA Reserve	IAS 19 Reserve	Retained earnings	Net result	Total parent share. equity	Min. interest share. equity	Total consol. share. equity
(2,389)	(542)	61,641	30,097	143,810	1	143,811
				0		0
				0		0
		29,588	(30,097)	0		0
		(12,273)		(12,273)		(12,273)
			9,005	9,005		9,005
	(107)			(107)		(107)
				1,901		1,901
	(107)		9,005	10,799		10,799
(2,389)	(649)	78,956	9,005	142,335	1	142,336
				0		0
		(25)		(25)		(25)
		8,857	(9,005)	0		0
				0		0
			595	595		595
	(340)			(340)		(340)
				(15,666)		(15,666)
	(340)		595	(15,411)		(15,411)
(2,389)	(989)	87,787	595	126,897	1	126,897

NTF

(yarn for textile
and clothing industry)

The yarn produced by
the NTF division has multiple
applications from sportswear
to underwear, The leading
brands in this division are
Dryarn® and ECONYL®



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Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A. (“Aquafil”, “Company” or “Parent company” and, together with its subsidiaries, “Group” or “Aquafil Group”) is a joint stock company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

The Aquafil Group produces and sells fibres and polymers, principally polyamide 6, on a global scale through the:

- i) BCF Product Line (carpet fibres), or synthetic yarns mainly intended for the textile flooring sector and used in “contract” segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
- ii) NTF Product Line (clothing fibres), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
- iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

Group products are also sold on the market under the ECONYL® brand, which offers the Group’s products obtained by regenerating industrial waste and end-of-life products.

The Group enjoys a consolidated presence in Europe, the United States and Asia.

1.2 Consolidated Financial Statement Presentation

These consolidated financial statements were prepared for the year ended December 31, 2020 (“**Consolidated Financial statements**”) in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union (“**IFRS**”).

The Consolidated Financial Statements were approved by the Board of Directors of the company on March 11, 2021 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below. These accounting policies were applied in line with the year 2019 and those applied at December 31, 2020.

2.1 Basis of preparation

As previously indicated, these consolidated financial statements were prepared in accordance with IFRS, i.e. all “International Financial Reporting Standards”, all “International Accounting Standards” (“IAS”), all interpretations of the International Reporting Interpretations Committee (“IFRIC”), previously called the Standards Interpretations Committee (“SIC”) which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These consolidated financial statements were prepared:

- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- on a going-concern basis of the Group, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group’s capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

2.2 Form and content of the financial statements

The Consolidated Financial Statements were prepared in Euro, which corresponds to the principal currency of the economic activities of the entities within the Group. All the amounts included in the present document are presented in thousands of Euro, unless otherwise specified.

The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 “Presentation of financial statements” (“IAS 1”) are illustrated below:

- the *consolidated balance sheet* is presented with separation between “current and non-current” assets and liabilities;
- the *consolidated income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* was prepared in accordance with the “indirect method”.

The financial statements utilised are those which best represent the result, equity and financial position of the Group.

2.3 Consolidation scope and basis of consolidation

The Consolidated Financial Statements includes the equity and financial position and results of the subsidiaries and/or associated companies, approved by the respective boards and prepared on the basis of the relative accounting entries and, where applicable, appropriately adjusted in line with international accounting standards IAS/IFRS.

The following table summarises, with reference to the subsidiaries and associated companies, details on company name, registered office, share capital, result from draft financial statements prepared for approval, direct and indirect holding, of the company and the consolidation method applied at December 31, 2020:

Company	Registered office	Share capital	Net profit/ (loss)	Currency	Group holding	% of votes	Method of consolidation
Parent company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	684,923	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubljana (SLO)	50,135,728	(2,378,832)	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	4,894,108	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(838,238)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	43,949,810	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	1,750,000	(1,160,400)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	(1,504,153)	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	21,758,945	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Leuna (GER)	2,325,000	(1,662,362)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlin (GER)	255,646	164,595	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	761,061	Turkish Lira	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	88,128	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(149,376)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(5,991,942)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(2,061,468)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	79,214	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Dehli (IND)	85,320	0	Indian Rupee	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	2,491,406	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling	Phoenix (USA)	3,400,000	(79,497)	US Dollar	100.00%	100.00%	Line-by-line

At December 31, 2020 there are no associated companies included in the consolidation scope.

The only significant change in consolidated companies for the Aquafil Group during the year concerned the acquisition, in December 2020, of the A-1 Planet Recycling Inc. business unit by the newco Aquafil Carpet Recycling LLC created by Aquafil USA Inc. For details on this acquisition, see the section “Business combinations” below.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles did not change compared to those applied for the consolidated financial statements at December 31, 2019.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles are illustrated below.

Subsidiaries

A party controls an entity when it is: i) exposed, or has the right to participate, in the relative variable economic returns and ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. Subsidiaries are consolidated under the line-by-line method from the date control is acquired and ceases to be consolidated from the date in which control is transferred to third parties. The year-end of the subsidiary companies coincides with that of the Parent Company. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities, and the charges and income of the companies are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the income statement;
- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated.
- with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognised to equity. Conversely, the sale of a share in investments which results in the loss of control are recognised in the comprehensive income statement:
 - i) of any gains/losses calculated as the difference between the payment received and the corresponding share of consolidated net equity sold;
 - ii) of the effect of the remeasurement of any residual investment in line with the relative fair value;
 - iii) of any values recorded under other items of the comprehensive income statement relating to the investee which is no longer controlled and which must be reversed through the comprehensive income statement, or where the amount should not be reversed through the comprehensive income statement, to the net equity account “Retained earnings”.

The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment, which also constitutes the value for subsequent measurement in accordance with the measurement criteria applicable.

Associated companies

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Group are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the Group in the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph “Impairments of tangible and intangible assets”. When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues are translated at the average exchange rate for the period;
- the "translation reserve" recorded among comprehensive income and, therefore, directly within shareholders' equity, includes both the currency differences generated from the translation of foreign currency transactions at a different rate from that at the reporting date and those generated from the translation of the opening shareholders' equity at a different rate from that at the reporting date;
- the goodwill, where existing, and the fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date.

The exchange rates utilised for the conversion of these financial statements are shown in the table below:

	December 2020		December 2019	
	Year-end rate	Average rate	Year-end rate	Average rate
US Dollar	1.23	1.14	1.12	1.12
Croatian Kuna	7.55	7.54	7.44	7.42
Chinese Yuan	8.02	7.87	7.82	7.74
Turkish Lira	9.11	8.05	6.68	6.36
Baht	36.73	35.70	33.42	34.76
UK Sterling	0.90	0.89	0.85	0.88
Australian Dollar	1.59	1.65	1.60	1.61

Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under "Exchange gains and losses".

Business combinations

Business combinations are recognised in accordance with IFRS 3 (2008), and IFRS 3 Revised. Specifically, business combinations are recognised using the acquisition method, where the purchase cost (consideration transferred) is equal to the fair value, at the acquisition date, of the assets sold and of the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The purchase cost includes the fair value of any potential assets and liabilities.

The costs directly attributable to the acquisition are recorded in the income statement. The consideration transferred and allocated recognises the identifiable assets, liabilities and contingent liabilities of the purchase at their fair value at the acquisition date. Any positive difference between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value, is recognised as goodwill or, if negative, in the Income statement. Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the Income statement. Any potential consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, classified as an asset or a liability, or as a financial instrument as per IFRS 9, are recorded in the Income statement. Potential consideration not within the scope of IFRS 9 is measured based on the specific IFRS/IAS standard. Potential consideration which is classified as an equity instrument is not remeasured, and, consequently is recorded under equity.

Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising these provisional values. Any adjustments, deriving from the completion of the valuation process, are recorded within 12 months from the acquisition date, restating the comparative figures.

In this context, we highlight that the investment for the acquisition of 100% of the business unit of A-1 Planet Recycling Incorporated by the newco Aquafil Carpet Recycling LLC created by Aquafil USA Inc. was finalised on December 15, 2020.

The new company with the business unit acquired recovers post-consumer carpets and mats that will be used to support the ECONYL® regeneration process of the group companies ACR#1 and ACR#2.

The purchase price for this business unit was set at USD 3.4 million.

The fair value of the assets and liabilities acquired as at December 15, 2020 (the transaction date), were as follows:

(USD thousands)

Property, plant & equipment	1,132
Intangible assets	31
Inventories	216
Intercompany payables	(31)
Net assets acquired	1,348
Goodwill	2,052
Final purchase price	3,400

As a result, goodwill came to USD 2 million (Euro 1.7 million) and is attributable to the strategic business acquired, which will, as described above, be integrated into the ECONYL* production process. This goodwill was subject to impairment testing at year end as described herein.

Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For goodwill and any other indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 36 paragraph 9), the impairment test must be undertaken more frequently.

The goodwill arising from the business combination described in the previous paragraph, along with other goodwill arising from prior operations, was therefore subject to a recoverability test as per IAS 36 as indicated also in note 7.2 "Goodwill" below. In particular, it is noted that the recoverable value of a non-current asset is based on the estimates and on the assumptions utilised for the determination of the cash flows and of the discount rate applied. Where it is considered that the book value of a non-current asset has incurred a loss in value, the asset is written-down up to the relative recoverable value, estimated with reference to its utilisation and any future disposal, based on the most recent business plans.

In assessing the recoverable value of property, plant and equipment, of investment property, of intangible assets and of goodwill, the Group generally applies the criterion of the value in use.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next two years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher than its recoverable value a loss in value is recognised which is recorded in the income statement under "Amortisation, depreciation and write-downs".

The loss in value of a cash-generating unit (the Aquafil Group has only one CGU) are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account "Amortisation, depreciation & write-downs", up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

The original value of the goodwill is not restated even when in subsequent years the reasons for the reduction in value no longer exist.

2.4 Accounting principles and policies

The most significant accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below.

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:

The Group classifies an asset as current when:

- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Group classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it must be settled within twelve months of the closing date of the year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable, controlled by the Group and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

The following main intangible assets can be identified within the Group:

Intangible assets with definite useful lives

Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised is that outlined, respectively, in the paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets" below.

The estimated useful life for the Group of the various categories of intangible assets is as follows:

	Estimated useful life
Concessions, licences & trademarks	10 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

The Group also recognises under intangible assets in progress development costs incurred for the research of specific new products and raw materials, whose commercial production or use has not yet commenced.

These costs are capitalised only when all of the following conditions set out in IAS 38 are met:

- the technical feasibility of developing new products and raw materials which will then be available for sale or use respectively;
- the Group's willingness to complete development, its ability to reliably assess the costs necessary for development and therefore the availability of sufficient technical and financial resources to execute it;
- the forecast likely future economic benefits that new products and new raw materials will be able to generate through sale and use for commercial purposes, in order to at least ensure the full recovery of costs incurred.

Once the development project is completed and the related finished product begins to be sold or the raw material used, these costs will begin to be amortised over the foreseeable period over which they will generate economic benefits.

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	Estimated useful life
Buildings and light constructions	10 - 17 - 33 - 40 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the "Right-of-Use") and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset's physical deterioration and any significant changes in the asset's use and the asset's economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets' market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

SECURITIES OTHER THAN EQUITY INVESTMENTS

Any securities other than equity investments, included under "Financial assets", are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the "trading date") including transaction costs.

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

The Group assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, all financial assets are analysed in order to verify whether they have suffered a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset's expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item "Provisions and write-downs". When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Group expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of raw material inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Group considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the consolidated balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the Group becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown net of the corresponding doubtful debt provision.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the consolidated income statement.

EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in Euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the Finance Act and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company; in this case, when the company has more than 50 employees, those matured from 2007 are paid into INPS. In the case of allocation to external pension funds, the company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the financial flows of the asset terminate;

- the Group retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the Group has transferred its right to receive the cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by the Aquafil Group for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:

- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The Group's financial derivative instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship and considering that the overall fair value of these derivatives is in any case not significant, as commented on in the respective notes.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 "Fair value measurement" (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the Group takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:

- Level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued.
- Level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices.
- Level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. The “Market Warrants” which are also quoted, and non-quoted “Sponsor Warrants”.

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the “fixed for fixed criteria”).

In particular, in the case of execution of Sponsor Warrants, an exchange between equity and cash instruments at a pre-set value is envisaged and, in the case of Market Warrants, an exchange based on a pre-defined formula. Information on these instruments is available in the paragraph on shareholders’ equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:

- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account “Financial charges”.

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed. Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:

- 1) Identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
- 2) Identification of the contractual obligations contained in the contract;
- 3) Calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
- 4) Allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
- 5) Recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Group companies to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

- payment deadlines are on average between 45 and 60 days, in line with generally applied market averages. “Cash discounts” are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferrals are granted which could be considered as qualifying as a loan;

- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:

- i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
- ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
- iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company's shareholders' meeting approving distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

The distribution of dividends to Aquafil S.p.A.'s shareholders is represented as a movement of shareholders' equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders' Meeting.

INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to Group companies and are recorded in the consolidated income statement under the item "Income taxes for the year", with the exception of those relating to items directly debited or credited to a shareholders' equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders' equity reserves. The consolidated comprehensive income statement shows the amount of income taxes for each item included in the "other components of the consolidated comprehensive income statement".

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the consolidated financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under "Other operating costs and charges".

From the year 2018, Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A. This was interrupted in 2017 due to its merger by incorporation into Space3 S.p.A. The tax consolidation regime is also confirmed for the year 2020.

Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debit relationships towards the tax consolidating company.

In addition, in relation to the Parent Company, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of "non-financial holding companies" ("*Industrial Holdings*"), for which, "the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet", with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under "industrial holdings" and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The Parent Company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting

96% of the interest expense and similar charges; in addition, the increased rate envisaged for banks and other financial institutions must be applied to the value of production relevant for IRAP purposes. Nationally, this rate is 4.65% versus the ordinary rate of 3.9%. Nationally, this rate is 4.65% versus the ordinary rate of 3.9%. It should be noted that for 2020, the IRAP rate applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 has been reduced to 4.65%, and the benefits normally granted to industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

It should be noted that at December 31, 2020, the Aquafil Group had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

EARNINGS PER SHARE

a) Basic earnings per share

The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis. The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Group are briefly described below.

Impairments

The tangible and intangible assets with definite useful lives are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the Group and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

Amortisation & Depreciation

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.

Inventories

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of the directors deriving from experience and historic results.

Doubtful debt provision

the recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

2.5 Accounting standards not yet applicable as not yet approved by the European Union

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

Document title	Issue date by IASB	Effective entry date of the IASB document
Accounting standards		
IFRS 17 Insurance Contracts, including subsequent amendment issued in June 2020	May 2017 June 2020	January 1, 2023
Amendments		
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	January 1, 2022
Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	May 2020	January 1, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	May 2020	January 1, 2022
Annual improvements to IFRS Standards (Cycle 2018–2020)	May 2020	January 1, 2022
Classification of Liabilities as Current or Non-current (Amendment to IAS 1), including subsequent amendment issued in July 2020	January 2020 July 2020	January 1, 2023

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:

- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group operates, the interest rate and raw material prices;
- Counterparty default risk;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Group's objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Group to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Group's financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the Group.

3.1 Market risk

3.1.1 Currency risk

Exposure to the risk of exchange rate variations arises from the Group's commercial activities which are also carried out in currencies other than the Euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk). Finally, exchange rate fluctuations also reflect on the consolidated results and shareholders' equity since the financial statements of certain Group companies are drawn up in currencies other than the Euro and are subsequently converted (translation risk).

The principal exchange rates the Group is exposed to are:

- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK Sterling;
- EUR/CNY, in relation to transactions carried out in renminbi mainly on the Asian market.

- The Group does not generally adopt specific policies to hedge exchange rate fluctuations, with the exception of contracts occasionally entered into due to the contingent requirements of its commercial activities. It should be noted that there is periodic massive offsetting between the values of purchase components in foreign currencies, mainly US dollars, and the values of sales in the same currency, which significantly mitigates the Group's currency risk. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations as, in the individual countries, a portion of cash flows, sales and also costs are denominated in the same accounting currency of the country (natural hedging).

3.1.2 Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2020 (financial assets and liabilities) denominated in a currency other than the functional currency of each Group company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	Consolidated financial statements	Exposition to currency risk (aggregated)	+10% (Gains)/Losses	-10% (Gains)/Losses
Financial assets				
Cash and cash equivalents	208,954	14,470	(1,447)	1,447
Trade receivables	22,015	5,109	(511)	511
Tax effect			470	(470)
Total financial assets			(1,488)	1,488
Financial liabilities				
Trade payables	(69,168)	(2,806)	281	(281)
Tax effect			(67)	67
Total financial liabilities			214	(214)
Total			(1,275)	1,275

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

It should also be noted that, for the purposes of consolidated reporting, the Company recognises currency differences generated by the year-end translation of the financial statements of foreign subsidiaries prepared in a currency other than the Euro among comprehensive income and, therefore, directly within the shareholders' equity "translation reserve".

Therefore, there is the risk that fluctuations in exchange rates in countries where the Group's subsidiaries operate (esp. the USA and China) could have an impact on consolidated shareholders' equity. In 2020 specifically, this translation had a negative effect of Euro 15,666 thousand as shown in the statement of changes in shareholders' equity and in the consolidated comprehensive income statement.

3.1.3 Interest rate risk

The Group uses external debt funding and places available liquidity in market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the consolidated financial charges. The Group policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans linked to hedging derivatives; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Group, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the consolidated income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2020:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2020
IRS Intesa San Paolo	22/06/2016	30/06/2021	10,000	Euro	(3)
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	(102)
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	(145)
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	(461)
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	(189)
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	(80)
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	(31)
IRS Banca Popolare Milano	10/12/2020	31/12/2021	10,000	Euro	(31)
Total			115,000		(1,042)

3.1.4 Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement and consolidated shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:

- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Change FY 2020	(888)	888	(888)	888

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

3.1.5 Raw material price risk

The Group's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the Group and difficult to predict.

Specifically, the Group implements a strategy to offset the price volatility risk of the main production factors used through contractual hedging and/or purchase price indexing for raw materials, energy sources and partly, selling prices.

3.2 Credit risk

The Group's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on the total Group trade receivables at December 31, 2020 was 41% (46% at December 31, 2019).

The following table provides a breakdown of trade receivables at December 31, 2020, grouped by due date and net of the doubtful debt provision:

	At December 31, 2020	Not overdue	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
(in Euro thousands)						
Guaranteed trade receivables (a)	16,021	12,122	3,451	65	0	383
Non-guaranteed trade receivables (b)	7,634	4,977	1,447	595	41	574
Non-guaranteed trade receivables impaired (c)	513	15	0	0	0	498
Trade receivables before doubtful debt provision [(a) + (b) + (c)]	24,168	17,114	4,898	660	41	1,455
Doubtful debt provision	(2,153)	(1,132)	(497)	(77)	(2)	(445)
Trade receivables	22,015	15,982	4,401	583	39	1,010

3.3 Liquidity risk

Liquidity risk relates to the risk of the Group being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the Group is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The Group can avail of on-demand liquidity of Euro 209 million at December 31, 2020, and has a significant availability of credit lines granted by a number of leading Italian and international banks. The directors consider that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The total Group bank credit lines at year-end amount to Euro 78 million, completely unutilised.

The table below shows an analysis of amounts due, based on contractual repayment obligations relating to the convertible bond, leasing contracts, trade payables and other liabilities as at December 31, 2020:

	At December 31, 2020	Within 1 year	Between 1 and 5 years	Beyond five years
(in Euro thousands)				
Bond loan	90,713	308	46,120	44,286
Other current and non-current financial liabilities	337,811	75,656	249,041	13,112
Trade payables	69,168	69,168	0	0
Other current and non-current liabilities	34,683	22,835	11,261	587
Total	532,375	167,967	306,423	57,985

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The Group expects to meet these commitments by liquidating financial assets and through cash flows that will be generated by operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of Covid-19 (coronavirus). In particular, it can be stated that — overall and in view of the information currently available and the health emergency in progress — no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

4. MANAGEMENT OF CAPITAL

The Group's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Group acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Group constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Group required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2020:

(in Euro thousands)	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
Current and non-current financial assets	0	1,484	0	0	1,484
Trade receivables	0	22,015	0	0	22,015
Current tax receivables	0	1,772	0	0	1,772
Other current & non-current assets	0	13,317	0	0	13,317
Cash and cash equivalents	0	208,954	0	0	208,954
Total	0	247,542	0	0	247,542
Current and non-current financial liabilities	1,042	0	0	427,481	428,524
Trade payables	0	0	0	69,168	69,168
Other current and non-current liabilities	0	0	0	34,683	34,683
Total	1,042	0	0	531,332	532,375

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets.

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement — a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2019, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2020	December 2019
Derivative financial instruments – Assets	0	96
Derivative financial instruments – Liabilities	(1,042)	(890)
Total	(1,042)	(794)

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, Group activity is identifiable in a single operating segment.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

	Develop- ment costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
(in Euro thousands)							
Balance at December 31, 2018	0	804	680	3,592	5,663	5,253	15,992
<i>Historical cost</i>		5,220	4,710	13,646	5,663	5,730	34,969
<i>Acc. amort.</i>		(4,416)	(4,030)	(10,054)		(477)	(18,977)
Entry during year				132			132
Reclassifications			72	392	(392)		72
Increases	1,812		85	1,491	4,489		7,876
Decreases			0	(2)			(2)
Amortisation		(450)	(301)	(1,538)		(729)	(3,018)
Exchange differences			1	4		45	49
Balance at December 31, 2019	1,812	356	535	4,070	9,760	4,568	21,101
<i>Historic cost</i>	1,812	5,218	4,868	15,327	9,760	5,770	42,756
<i>Acc. amort.</i>		(4,863)	(4,332)	(11,257)		(1,202)	(21,655)
Reclassifications			41	609	(607)		43
Increases	2,227		66	453	3,272		6,018
Decreases			(77)	0	(3)		(80)
Amortisation	(581)	(304)	(160)	(1,622)		(716)	(3,383)
Exchange differences			(1)	(18)		(102)	(121)
Balance at December 31, 2020	3,459	52	405	3,491	12,422	3,750	23,578
<i>Historic cost</i>	4,039	5,211	4,751	16,355	12,422	5,625	48,403
<i>Acc. amort.</i>	(581)	(5,159)	(4,346)	(12,863)		(1,875)	(24,825)

The increases in the year, overall amounting to Euro 6 million, principally relate to:

- for approx. Euro 2.2 million new product development costs; in particular, these costs principally concern the labour and raw materials used to develop the new types of yarn demanded by customers.
- for approx. Euro 1.8 million relating to the development of a bio-caprolactam production process and consequently of bio-nylon 6 from renewable raw materials, as well as their validation through the creation of prototypes.
- for approx. Euro 1.8 million to the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;

It should be noted that the "Non Contractual Customer relationships" refer to the purchase made in 2018 of assets from an international player in the form of customer lists and production formulas, relating to the BCF line.

7.2 Goodwill

Goodwill was Euro 13,600 thousand at December 31, 2020. This figure includes the goodwill recognised on the Aquafil O'Mara business combination during the previous year (Euro 13 million) and the new goodwill on the acquisition in 2020.

As described in the "Business combination" paragraph, the company acquired the business of the US company Planet Recycling Incorporated, generating goodwill amounting to Euro 1.7 million which was allocated to the only identified CGU corresponding to the whole Group.

It should also be noted that the goodwill related to Aquafil O'Mara, having been recognised by the direct subsidiary Aquafil USA, was negatively affected by the translation from dollars to euro as part of the consolidation process.

This value represents the excess between the consideration transferred, measured at fair value at the acquisition date, as subsequently updated, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value.

After initial recognition the goodwill is not amortised but subject to an annual impairment test as described in the previous paragraph "Impairment test – verification of recoverability".

In accordance with the provisions of IAS 36 the Group therefore undertook a specific impairment test in order to verify the recoverability of the goodwill recognised.

The impairment test was carried out determining the value in use with the discounted cash flow method (DCF) net of income taxes in line with the post-tax discount rate utilised.

The cash flows used to apply the DCF are those included in the Group's 2021-2022 business plan approved by the parent company's board of directors on February 17, 2021.

The growth rate (g) applied was 4.1%, which is equal to the expected global average growth beginning in 2022 and, therefore, avoids the effect of the expected 2021 rebound, which economists currently estimate will be a global average of 5.5%.

The discounting of the cash flows was carried out on the basis of a weighted average cost of capital which reflects the current market assessment of the cost of money. The value identified was 7.50%.

A sensitivity analysis was also carried out in order to determine the change to the value assigned to the base assumptions which, after having considered any amendments as a result of this change on the other variables utilised, renders the recoverable value of the CGU equal to its carrying amount.

This analysis indicated that only significant deviations in the achievement of the Group's business objectives, interest rates and perpetual growth rates would reduce the recoverable value to a level close to the book value, so it is not necessary, as required by IAS 36, to report in this note the effects of a sensitivity simulation.

From the impairment test carried out therefore no adjustments are required to the value of the goodwill.

7.3 Property, plant & equipment

The breakdown in the account and changes in the year were as follows:

	Land & buildings	Plant & equipment	Industrial & comm. equipment	Other assets	Assets in progress	Investment property	Total before Right-of-Use	Right-of-Use	Total
(in Euro thousands)									
Balance at December 31, 2018	53,665	92,540	624	2,194	40,299	339	189,661		189,661
<i>Historical cost</i>	103,143	393,391	10,876	6,301	40,299	755	554,766		554,766
<i>Acc. deprec.</i>	(49,479)	(300,850)	(10,252)	(4,107)		(417)	(365,105)		(365,105)
IFRS 16 effect at January 1, 2019							0	28,718	28,718
Change in consolidation scope	4,041	13,887		521	102		18,553		18,553
Reclassifications	3,633	35,163	25	16	(39,380)	43	(500)		(500)
Increases	3,519	18,337	80	869	25,395		48,199	5,794	53,993
Decreases		(196)	(1)	(27)	(314)	(2)	(541)	(4,893)	(5,434)
Depreciation	(3,795)	(23,391)	(250)	(822)		(11)	(28,270)	(6,482)	(34,751)
Exchange differences	151	394	4	26	500		1,075	177	1,252
Balance at December 31, 2019	61,214	136,734	482	2,778	26,602	368	228,177	23,314	251,492
<i>Historical cost</i>	114,516	442,257	10,984	7,399	26,602	793	602,552	28,676	631,228
<i>Acc. deprec.</i>	(53,303)	(305,523)	(10,503)	(4,621)		(425)	(374,375)	(5,362)	(379,736)
Change in consolidation scope		922					922	0	922
Reclassifications	867	10,363	26	57	(11,354)		(43)		(43)
Increases	401	7,847	74	396	13,132		21,851	8,930	30,781
Decreases	1	(153)	(1)	(360)	(18)		(531)	(5,400)	(5,931)
Depreciation	(4,161)	(27,824)	(178)	(664)		(12)	(32,839)	(7,393)	(40,233)
Exchange differences	(633)	(4,516)	(6)	(159)	(1,372)		(6,685)	(808)	(7,493)
Balance at December 31, 2020	57,689	123,373	396	2,048	26,990	356	210,852	18,643	229,495
<i>Historical cost</i>	115,010	438,306	11,027	5,179	26,990	793	597,304	29,619	626,924
<i>Acc. deprec.</i>	(57,321)	(314,933)	(10,631)	(3,131)		(437)	(386,452)	(10,976)	(397,429)

The increases in the year pre Right-of-use, deducted the relative decreases, amounting to Euro 21.3 million principally refer to:

- for Euro 12.9 million, the technological improvement and upgrading of the existing plants and equipment;
- for Euro 4.1 million the increase in efficiency of the ECONYL® regenerated caprolactam production plant as well as of the carpet recovery technology in the USA;
- for Euro 2.0 million, projects to improve production and industrial efficiency.

The increase relating to the "change in the consolidation scope" for Euro 0.9 million refers to the business combination regarding Aquafil Carpet Recycling LCC described in the specific paragraph above.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below.

	Right-of-Use buildings	Right- of-use equipment and transport vehicles	Right-of-Use motor vehicles	Right-of-Use others	Total
(in Euro thousands)					
Balance at January 1, 2019	24,482	4,232	5		28,718
<i>Historical cost</i>	24,482	4,232	5		28,718
<i>Acc. deprec.</i>					0
Increases	4,156	879	674	85	5,794
Decreases	(4,848)	(45)			(4,893)
Depreciation	(5,139)	(1,239)	(99)	(4)	(6,482)
Exchange differences	167	10			177
Balance at December 31, 2019	18,817	3,837	580	81	23,314
<i>Historic cost</i>	22,865	5,047	679	85	28,676
<i>Acc. deprec.</i>	(4,047)	(1,211)	(100)	(4)	(5,362)
Increases	6,424	2,144	344	18	8,930
Decreases	(4,349)	(1,031)	(9)		(5,389)
Depreciation	(5,750)	(1,404)	(230)	(20)	(7,405)
Exchange differences	(714)	(75)	(12)	(7)	(808)
Balance at December 31, 2020	14,428	3,470	673	72	18,643
<i>Historic cost</i>	22,548	5,982	995	94	29,619
<i>Acc. deprec.</i>	(8,120)	(2,511)	(322)	(23)	(10,976)

The increases mainly refer to the renewal, by the Parent Company, of contracts related to employee apartments and company cars in the amount of Euro 0.2 million and Euro 0.3 million, respectively, as well as to the signing, by the subsidiaries Aquafil Carpet Recycling LLC and Aquafil O'Mara, of lease agreements on industrial properties in the amount of Euro 0.9 million and Euro 0.5 million, respectively.

The decreases mainly refer to the reassessment of the lease contracts for the properties of the subsidiary Aquafil USA and for the forklifts of AquafilSlo.

At December 31, 2020 the Group did not identify any impairment indicators relating to property, plant and equipment.

7.4 Current and non-current financial assets

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	December 2020	December 2019
Receivables from parent companies	234	234
Equity investments in group companies	6	1
Investments in other companies	18	18
Escrow bank deposits	875	1,682
Current and non-current financial assets	272	292
Receivables from related parties	79	79
Derivative financial instruments	0	96
Total	1,484	2,402
<i>of which current</i>	<i>834</i>	<i>1,637</i>
<i>of which non-current</i>	<i>650</i>	<i>765</i>

"Receivables from parent companies" refer to guarantee deposits paid by Aquafil S.p.A. to the parent company Aquafin Holding S.p.A. over the multi-year leasing contract for the industrial and logistical use property located in viale dell'Industria No.5 – Verona.

Investments in other companies relates to minor holdings.

The "Escrow bank deposits", amounting to Euro 875 thousand, were taken out almost exclusively by Aquafil Engineering GmbH, to guarantee the delivery of specific orders. The decrease compared to the previous year reflects the normal trend in commercial activities and order execution times.

“Receivables from other related parties” refer to guarantee deposits paid by Tessilquattro S.p.A. and Aquafil S.p.A. to Aquaspace S.p.A. over a multi-year leasing contract for the industrial and logistical use property located in Via del Garda 40 - Rovereto.

7.5 Other non-current assets

The amount of Euro 1,336 thousand mainly concerns the receivable of the parent company Aquafil S.p.A. and Aquafil SLO d.o.o. from the “EFFECTIVE” project of the European Union, for which reference should be made to the Directors’ Report. In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 2.5 million at December 31, 2020. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2020, the residual receivable amounted to Euro 1.3 million.

7.6 Deferred tax assets and liabilities

The breakdown of the items “Deferred tax assets” and “Deferred tax liabilities” is shown below:

(in Euro thousands)	December 2020	December 2019
Deferred tax assets	14,563	13,636
Deferred tax liabilities	(11,761)	(10,915)
Total	2,802	2,721

The relative movement is comprised of:

(in Euro thousands)	Values at January 1, 2020	Provisions/ releases to net equity	Provisions/ releases to income P&L	Provisions/ releases to comprehensive income statement	Reclassification	At December 31, 2020
Deferred tax assets						
Provision for risks and charges	134	0	(1)		0	133
Doubtful debt provision	224	(9)	87		0	303
Measurement of employee benefits as per IAS 19	585	(3)	29		0	612
Intangible and tangible fixed assets	4,149	(21)	(209)		0	3,919
Tax losses	6,410	(258)	(404)		0	5,747
Inventories	322	(7)	(292)		1,491	1,513
Other provisions	0	0	0		2	2
Derivative financial instruments	191	0	60		0	250
Ace	865	0	330		0	1,195
Other	757	(10)	70		73	889
Total deferred tax assets	13,636	(307)	(331)		1,565	14,563
Deferred tax liabilities						
Financial liabilities	(73)	0	0		73	0
Intangible and tangible fixed assets	9,748	(432)	(1,019)		0	8,297
Other	1,240	(39)	771		1,492	3,464
Total deferred tax liabilities	10,915	(471)	(248)		1,565	11,761
Total net deferred tax assets	2,721	164	(83)		0	2,802
Receivables from holding companies			979			
Total income statement impact			896	5		

With regard to deferred tax assets:

- Deferred tax assets on tangible and intangible assets which amount to Euro 3,9 million principally refer for Euro 1.39 million to the reversal of the gains realised among Group companies, for Euro 2.17 million to the reversal of amortisation on revaluations and depreciation carried out on the financial statements of the individual companies but not reported in the consolidated financial statements, for Euro 0.10 million to the reversal of intangible assets due to the adoption of IAS accounting principles and for Euro 0.25 million to the reversal of amortisation on brands and patents;
- Deferred tax assets on tax losses, amounting to Euro 5.7 million, refer to the effect of accumulated losses recorded (i) by the American subsidiaries for Euro 2.6 million, (ii) by Aqualeuna GmbH for Euro 2.5 million and (iii) by AquafilSlo for Euro 0.6 million; all tax losses are deemed fully recoverable;
- Deferred tax assets on inventories, which amount to Euro 1.51 million, mainly refer to the adjustment between HGB and IFRS accounting standards concerning the engineering contracts of the subsidiary Aquafil Engineering GmbH and the reversal of the value of intercompany profits and losses included in the warehouse value;
- Pursuant to the provisions of Article 1 of Decree Law 201/11, also called ACE or Aid for Economic Growth, the parent company Aquafil S.p.A. calculated deferred tax assets on exempt income, on the assumption that this benefit can be exploited to sufficiently reduce taxable income in future years and also given that the ACE notional return can be carried forward with no time limits as established by paragraph 4, Article 1 of Decree Law No. 201/2011 and by virtue of Law No. 160/2019 which reintroduced the provisions of the ACE, previously repealed by the 2019 Finance Act. The national return on new equity for the years 2018, 2019 and 2020 was calculated based on the ratios of 1.5% for the year 2018 and 1.3% for the other years, respectively. At December 31, 2020, this item amounts to Euro 1.19 million, with an increase of Euro 0.33 million.

With regard to Deferred tax liabilities, the item Property, plant and equipment and intangible assets mainly refers for Euro 6.59 million to the tax effect calculated on the temporary differences between book and tax depreciation.

The “Other” account mainly refers to the effects of deferred taxation on consolidation adjustments. The main effect relates to the recognition of development costs as described in note 7.1 above.

7.7 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2020	December 2019
Raw materials, ancillary and consumables	51,222	63,658
Finished products and goods	99,408	121,242
Advances to suppliers	289	31
Total	150,920	184,931

Inventories are recorded net of the obsolescence provision amounting to Euro 0.67 million and relates to slow moving stock.

The significant reduction was mainly due to the lower prices for raw materials and to inventory reduction policies, particularly in the USA and EMEA, in order to reduce net working capital and to have greater liquidity, as mentioned in the Directors’ Report.

7.8 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2020	December 2019
Trade receivables	24,102	26,729
Parent, associates and other related parties	66	69
Doubtful debt provision	(2,153)	(1,838)
Total	22,015	24,960

The following table shows the movement of the doubtful debt provision:

(in Euro thousands)	December 2020	December 2019
Balance at January 1, 2020	(1,838)	(2,656)
Provisions	(354)	(216)
Decrease	6	1,094
Change in consolidation scope	0	(41)
Other changes	34	(19)
Balance at December 31, 2020	(2,153)	(1,838)

The change in trade receivables is due mainly to the reduction in sales.

7.9 Current tax receivables

Current tax receivables of Euro 1,772 thousand refer to advances paid for current tax by the Parent Company Aquafil S.p.A., Aquafil USA Inc. and Aquafil Engineering GmbH.

7.10 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2020	December 2019
Tax receivables	3,255	3,976
Supplier advances	679	791
Pension and social security institutions	374	138
Employee receivables	298	299
Tax receivables from parent	3,187	2,209
Other receivables	1,279	1,747
Prepayments and accrued income	2,910	2,966
Total	11,981	12,126

The following is specified in relation to the above items:

- tax receivables: refer mainly to an amount of Euro 3.1 million receivables for Value Added Tax (VAT) and Euro 0.2 million in tax credits determined pursuant to Article 1, paragraph 35 of Law No. 190 of 23/12/2014 and successive amendments;
- tax receivables from parent: these refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Tessilquattro S.p.A. to tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which per the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 et seq. of the Income Tax Law for the latter and the companies Aquafil S.p.A. and Tessilquattro S.p.A.;
- other receivables: these mainly concern, for Euro 0.78 million receivables from the company Domo Chemicals Italy S.p.A. for the financial support provided within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013 in addition to Euro 0.5 million for a reimbursement of the export duty of the Chinese company Aquafil Synthetic Fiber and Polymers (Jiaxing) Co. Ltd.;
- prepayments and accrued income: these mainly refer to amounts arising from procedures for the recovery of duties paid and recorded in the Income Statement but not yet collected, prepayments on the purchase of maintenance materials and consultancy expenses for Information and Communication Technology.

7.11 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Cash and equivalents	24	25
Bank and postal deposits	208,930	90,375
Total	208,954	90,400

The item relates to the current account balances of the different Group companies. The breakdown of cash and cash equivalents in Euro of foreign currencies is illustrated in the table below:

(in Euro thousands)	At December 31, 2020
EUR	157,606
HRK	204
TRL	56
USD	34,744
THB	1,577
CNY	14,364
AUD	123
JPY	52
GBP	229
Total	208,954

The Group's financial structure has evolved in a significantly prudent manner in response to the needs to reduce liquidity risk in order to combat the possible effects of a continuation of the COVID-19 pandemic. The measures implemented during the year were as follows:

- (a) moratoriums with all banks on loan payments due in 2020 for a total of Euro 42.1 million attributable to the Parent Company;
- (b) new medium-term, unsecured loans signed by the parent company, Aquafil S.p.A., and by the subsidiary Tessilquattro S.p.A. for a total of Euro 105 million against the repayment of existing loans in the amount of Euro 12.5 million, mainly in the first quarter of 2020. For details on debt, see the Explanatory Notes to the financial statements.

As a result of these measures, liquidity at year end, including the current accounts of the various companies of the Group, went from Euro 90.4 million to Euro 209.0 million.

7.12 Shareholders' Equity

Share capital

At December 31, 2020, the Parent Company Aquafil S.p.A.'s authorised share capital amounted to Euro 50.7 million, whose subscribed and paid-up capital amounts to Euro 49.72 million, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 0.15 million as the residual capital increase in service of Aquafil Market Warrants and (iii) an amount of Euro 0.80 million for the capital increase in service of Aquafil Sponsor Warrants.

The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2020 is shown below:

Type of shares	No. shares	% of share capital	Listing
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.15%	Non-listed
Total	51,218,794	100%	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2020 — i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (*w-quarter.1*) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital — are as follows:

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. shares	No. of votes rights
GB&P S.r.l.	Aquafil Holding S.p.A.	Ordinary	21,487,016	21,487,016
		Class B	8,316,020	24,948,060
Total			29,803,036	46,435,076
Holding			58.19%	68.52%

Warrants

The following were initially issued on listing:

- i) 7,499,984 Aquafil Market Warrant, listed identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016;
- ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.0 (on achieving a "Strike Price" of Euro 13.0), in response to the allocation of an Aquafil share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

On December 31, 2020, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.

No Aquafil Sponsor Warrants were converted during 2020.

Legal Reserve

The legal reserve at December 31, 2020 was equal to Euro 0.67 million; the increase of Euro 0.15 million was approved by the Shareholders' Meeting of June 18, 2020 which allocated to this reserve one-twentieth of the profit for the year 2019.

Translation reserve

The translation reserve, negative at December 31, 2020 for Euro 25.2 million (increasing Euro 15.7 million in the year), includes all the differences arising from the translation into Euro of the subsidiaries' financial statements included in the consolidation scope expressed in foreign currency.

In 2020 specifically, this translation had a negative effect of Euro 15,666 thousand due to fluctuations in exchange rates in countries in which subsidiaries operate (esp. the USA and China).

This is the effect of statement translation, so it had no impact on profits for the year, but is recognised on the consolidated comprehensive income statement as reserves to be carried forward.

Share premium reserve

The item amounted to Euro 19.98 million at December 31, 2020 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in 2017.

Listing costs/Share capital increase reserve

The item amounted to Euro 3.29 million at December 31, 2020 as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)

The item amounts to Euro 2.39 million and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 Reserve

At December 31, 2020, it was equal to a Euro 1 million reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Retained earnings

At December 31, 2020, the account amounts to Euro 87.8 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3 S.p.A.) net of the distribution of dividends as illustrated in the paragraph below.

Minority interest shareholders' equity

As illustrated in paragraph "2.3 Consolidation scope" and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

7.13 Employee benefits

The account is comprised of:

(in Euro thousands)

Balance at December 31, 2019	5,721
Interest expense	27
Advances and settlements	(123)
Actuarial gains/(losses)	344
Balance at December 31, 2020	5,969

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard.

The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

December 31, 2020

Financial assumptions

Discount rate	(0.02%)
Rate of inflation	0.80%
Annual increase in employee leaving indemnity	2.10%

Demographic assumptions

Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements

Annual frequency of Turnover and leaving indemnity

Frequency advances	4.50%
Frequency turnover	2.50%

It should be noted that the bond's financial average duration at December 31, 2020 is approximately 8 years.

7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 2020	<i>current portion</i>	December 2019	<i>current portion</i>
Medium/long term bank loans	308,630	67,690	212,367	42,571
Acc. interest & accessory charges on med./long-term bank loans	(518)	(518)	(418)	(418)
Total medium/long-term bank loans	308,112	67,172	211,949	42,153
Bond loans	90,406	0	94,125	3,667
Accrued interest and charges on bonds	308	308	236	236
Total bond loan	90,713	308	94,361	3,903
Leasing and RoU financial payables	28,524	8,353	34,373	8,547
Liabilities for derivative financial instruments	1,042	0	890	0
Other lenders and banks – short term	131	131	129	129
Total	428,524	75,964	341,702	54,733

Medium/long term bank loans

This item refers to payables relating to financing agreements obtained from credit institutions.

These agreements envisage the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

With reference to the loans granted, there are no mortgages or guarantees registered on company assets.

	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	At December 31, 2020	current portion
(in Euro thousands)							
Medium/long term bank loans - fixed rate							
Banca Intesa (*) (**)	10,000	2016	2021	Half-yearly from 31/12/2017	1.15% fixed (**)	2,500	2,500
Banca Intesa (*) (**)	15,000	2018	2024	Half-yearly from 31/07/2019	Until 19/6/18 eu+0.95% - from 20/06 1.15% fixed (**)	12,000	3,000
Mediocredito Trentino Alto Adige	3,000	2017	2022	Half-yearly from 28/12/2018	0.901% fixed	1,510	1,004
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	1.4% fixed	6,136	1,364
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	1.25% fixed	10,227	2,273
Credito Valtellinese (*)	15,000	2018	2024	Quarterly from 05/10/2018	1 fixed %	15,000	3,170
Deutsche Bank (*)	5,000	2016	2021	Quarterly from 08/12/2016	0.60% fixed	631	631
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	1.30% fixed	3,000	363
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed from July 1, 2024, 3 mo. Euribor + 1	15,000	1,458
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	Fixed rate 1.48	20,000	0
Cassa Depositi e Prestiti	20,000	2020	2021	Bullet 30/11/2021	Fixed rate 1.39	20,000	20,000
Total medium/long term bank loans - fixed rate						106,004	35,763
Medium/long term bank loans - variable rate							
Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	25,000	4,488
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	20,000	3,932
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	5,000	2016	2022	Half-yearly from 31/12/2017	Euribor 6 months + 1.50%	1,904	1,265
Banca di Verona	3,500	2016	2023	Quarterly from 30/06/2017	Euribor 3 months + 1.80%	1,634	645
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	10,198	2,474
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months + 1.20%	4,375	938
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	8,221	1,802
Credito Valtellinese	3,000	2017	2023	Quarterly from 05/07/2017	Euribor 3 months + 0.90%	1,517	451
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	Quarterly from 31/05/2017	Euribor 6 months + 0.90%	381	381
Monte dei Paschi (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	13,125	0
Crediti Emiliano	5,000	2018	2022	Monthly from 26/11/2018	Euribor 1 month + 0.65%	2,645	1,251
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	Quarterly from 30/06/2018	Euribor 3 months + 0.90%	1,701	752
Banca Popolare di Sondrio	5,000	2017	2023	Monthly from 31/08/2018	Euribor 1 month + 0.80%	2,832	834
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	15,000	2,958
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	10,000	822
Credit Agricole (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	9,091	1,818
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 1 month + 1.20%	10,000	1,500
Banca Intesa	30,000	2020	2023	Quarterly from 31/12/2021	Euribor at 3 months + 0.60% + SACE	30,000	3,750
Banca Nazionale del Lavoro (*)	20,000	2020	2025	Quarterly from 30/9/2022	Euribor at 3 months + 0.85% + SACE	20,000	0
Banco BPM (**)	10,000	2020	2023	Quarterly from 31/12/2021	Euribor at 3 months + 0.7% + SACE	10,000	1,250
Credito Valtellinese (*)	5,000	2020	2025	Quarterly from 30/9/2021	Euribor 3 months + 1.40%	5,000	614
Total medium/long term bank loans - variable rate						202,626	31,927
Accrued interest on medium/long term bank loans						(518)	(518)
Medium/long term bank loans - fixed and variable rate						308,112	67,172

(*) Loans that provide for compliance with financial covenants

(**) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table

As mentioned in the Directors' Report, in order to manage any risk that could arise out of a continuation of the health crisis, Aquafil, which acts as the parent company also in managing relationships with banks for the entire Group, took steps in 2020 to increase financial resources and significantly improve the net financial position.

More specifically, moratoriums on short-term instalments coming due during the year were agreed, thereby deferring amortisation schedules, thereby benefiting liquidity compared to the original repayment commitments for a total of Euro 42.1 million.

The following operations were also carried out:

- three new medium/long-term, SACE-backed financial operations for a total of Euro 60 million – one with BNL for Euro 20 million, one with Intesa San Paolo for Euro 30 million, and one with Banco BPM for Euro 10 million;
- two financial operations totalling Euro 40 million with Cassa Depositi e Prestiti (CDP). It should also be noted that, in February 2021, a CDP loan in the amount of Euro 20 million was paid in full ahead of schedule;
- a financial operation in the amount of Euro 5 million with Credito Valtellinese, signed by the subsidiary Tessilquattro S.p.A..

Certain loan agreements provide for compliance with financial and equity covenants, as summarised below:

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Half-Yearly	Net Debt/Net Equity	Group	≤ 2.50
	Half-Yearly	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Credito Valtellinese	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Deutsche Bank	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
	Annually	EBITDA/Financial charges		> 3.50
Monte dei paschi	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Casse Centrali C,R, Trentine	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Banca Popolare Emilia Romagna	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
MCC/Banca del Mezzogiorno	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Cassa Depositi e Prestiti	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50

In relation to the financial covenants established in the Group's bond and loan agreements detailed above, the Group prudently obtained before the end of the financial year:

1. from the bond subscribers the revision of the consolidated "Leverage Ratio NFP/EBITDA" financial covenant as follows:
 - a) 4.50 as of 31.12.2020
 - b) 4.25 as of 30.6.2021
 - c) 3.75 as of 31.12.2021, the date of return to contractual status;
4. by the lenders, the covenant "holiday" for verification of the consolidated PFN/EBITDA leverage ratio for the year ended December 31, 2020. It should be noted that, despite not applying the covenants, all of them would have been met based on actual figures for the year.

With reference to the loans granted, there are no mortgages registered on Group assets.

Bond loans

The company had issued two fixed-rate bond loans for an original total value of Euro 90 million, as follows:

1. a first bond loan ("A"), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., was renegotiated on September 20, 2018 for more advantageous conditions for the improvement of the rating of Aquafil S.p.A. post-listing, without this resulting in a change in cash flows such as to necessitate the valuation of the instrument, based on the provisions of IFRS 9, as a new financial liabilities. The outcome of this negotiation established that the bond loan has a value equal to Euro 50 million, a repayment in 7 equal instalments of Euro 7.1 million, of which the first with maturity on September 20, 2022 and the last on September 20, 2028 and is subject to a fixed interest rate of 3.70% with the application of a "margin ratchet" condition which provides for a gradual increase in the rate up to a maximum of 1% on the fluctuation of the NFP/EBITDA ratio of the Group. With effect from September 20, 2019, as a result of the variation in the NFP/EBITDA ratio in the first half of 2019, the interest rate increased to 4.70% and remains at this rate at December 31, 2020. With the 2020 contractual revision of the financial covenants outlined above, an additional margin ratchet of 0.50% was introduced, which is activated when the NFP/EBITDA ratio exceeds 4. The value at December 31, 2020 does not trigger this increase;

2. in addition to the line of credit used for the “A” bond loan, the Prudential Group has granted the company a so-called “Shelf Facility” available on request and usable up to a maximum amount of approx. USD 90 million. This line was partially used to cover the issuance of the second bond (“B”) and remains available at current market conditions for approx. USD 50 million. The second bond loan was issued on May 24, 2019 and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, with the application of the same “margin ratchet” condition as for Bond Loan A, which bears the rate of 2.87%; the issue was undertaken to finance the Aquafil O’Mara Inc. business combination.

For both loans, on the contractual revision at the end of 2020, the additional margin ratchet of 0.50% was applied, which is triggered when the NFP/EBITDA ratio exceeds 4, and which on the basis of the ratio at December 31, 2020, does not result in a price premium.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total Nominal Value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/9/2022	4.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.87%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group’s consolidated financial statements:

Bond loan A - B

Financial parameters	Parameter	Limite covenants
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.50
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable; as of 31/12/2020, the maximum ratio is increased to 4.5 and as of 30/06/2021 to 4.25.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan’s compulsory early repayment. The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies (“Affirmative Covenants”) and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders (“Negative Covenants”). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the parent company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

As specified previously, the financial parameters as at December 31, 2020, have been adjusted and met for bond loans as well. It should also be noted that on the basis of the Group’s earnings and debt forecasts, to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

Lease liability

The lease liability, which amounts to Euro 28.5 million, includes Euro 20.0 million relating to the effects of application of IFRS 16. The lease liability also includes the finance lease contract with the company Trentino Sviluppo S.p.A., involving the building in Arco (TN). The contract in question was entered into in December 2007 and expires in November 2022. At December 31, 2020, the residual capital relating to financial leasing contracts totalled Euro 8.3 million. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Agents’ supplementary indemnity provision and others	1,113	1,022
Guarantee fund on client engineering orders	392	484
Total	1,506	1,506

7.16 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	December 2020	current portion	December 2019	current portion
Employee payables	9,356	9,356	13,708	13,708
Social security payables	2,939	2,939	3,149	3,149
Payables to parent for income taxes	230	230	230	230
Tax payables	2,450	2,450	1,957	1,957
Other payables	3,457	3,457	738	738
Accrued liabilities and deferred income	16,251	4,403	19,152	3,768
Total	34,683	22,835	38,934	23,551

“Employee payables” refers to sums due by Group companies to their employees at the end of the year.

“Social security payables” mainly includes the amount owed at year-end by the Group companies and their employees to social security institutions.

“Payables to parent for income taxes” entirely refer to Tessilquattro S.p.A. payables to the parent company Aquafil Holding S.p.A. as per the tax consolidation regime.

The item “Tax payables” mainly includes VAT payables, withholding taxes and other tax payables.

“Other payables” refers primarily to the outstanding debt of Aquafil Carpet Recycling LCC for the acquisition of the business unit, for which reference should be made to paragraph 2.3 Business combinations.

Accrued liabilities and deferred income comprise:

- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2020, this deferred revenue (recognised to deferred income) amounts to Euro 11.7 million;
- the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the “EFFECTIVE” research project, described in the Directors’ Report and also commented on in notes 7.1 and 7.5 above. The original deferred income recognised for Euro 3.3 million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 2.5 million at December 31, 2020. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project are capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution relating to the capitalised portion will be charged to the income statement from the moment the capitalised asset starts to be used and then amortised.

7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Trade payables	62,134	66,457
Payables to parent, associates and other related parties	403	127
Payments on account	6,631	9,505
Total	69,168	76,089

At December 31, there were no debts falling due over five years in the balance sheet.

Exposure to suppliers decreased mainly due to lower exposure both in value and quantity terms of raw materials purchased in the final months of 2020.

7.18 Current tax payables

Current tax payables of Euro 1.19 million mainly refer to the amount owed by the Chinese subsidiary Aquafil Synthetic Fibres and Polymers for taxes.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

	December 2020		December 2019		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	247.90	57%	327.20	60%	(79.30)	(24%)
North America	111.30	25%	127.90	23%	(16.60)	(13%)
Asia and Oceania	75.70	17%	92.20	17%	(16.50)	(18%)
Rest of the world	1.80	0%	1.70	0%	0.10	6%
Total	436.60	100%	549.00	100%	(112.30)	(20%)

Revenues almost entirely include the value of the sale of goods of the three Group product lines described above, that is, the BCF Product Line (carpet fibres), the NTF Product Line (clothing fibres) and the Polymers Product Line.

The breakdown of revenues by product line are described in the Directors' Report:

The reduction derives from a decrease (a) in sales volumes, more marked in the BCF product line and in the EMEA and USA regions, but also (b) from a change in the sales mix due to the greater share represented by sales of polymers, whose prices are lower than those of fibres, and (c) lower average sales prices, related to the decrease in raw material prices. Revenues from ECONYL® branded products on total fibre sales decreased from the prior year, down from 37.5% to 36.9% in 2020, primarily due to the impact of the pandemic on sales of BCF line products to the shipbuilding industry.

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 2.4 million at December 31, 2020.

8.2 Other revenues and income

"Other revenues and income" amounts to Euro 10.3 million and refers mainly to:

- Euro 4.8 million for the "PPP Loan" financing received by the American subsidiaries based on US regulations, which recognise financial support to companies that have suffered a reduction in turnover due to the COVID-19 pandemic in order to safeguard jobs. This loans, totalling USD 5.5 million, were converted into grants as the regulatory requirements were met at the end of the period;
- Euro 2.9 million of social security grants received by the overseas subsidiaries AquafilSlo, AquafilCro and Aquafil UK, from the State against the Covid-19 emergency; Euro 1.9 million grants received from the U.S. activities for the recovery of end-of-life carpets;
- Euro 0.3 million to the amount accruing in the year of the grant for the Effective project, concerning Aquafil and AquafilSlo;
- Euro 0.2 million to the tax credit accrued on research and development expenses incurred by the parent company in 2020 and determined pursuant to Article 1, paragraph 35 of Law No. 190 23/12/2014.

It should be noted that the two revenue items and related grants received in relation to the health emergency went to offset a recurring cost of the same nature, mainly representing costs for personnel that was unable to work during the lockdown.

8.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories.

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Raw materials and semi-finished goods	180,943	260,190
Ancillaries and consumables	19,641	27,596
Other purchases and finished products	2,975	4,659
Change in inventories raw materials, ancillary, semi-finished and finished products	6,265	(9,603)
Total	209,825	282,841

Raw materials, ancillaries and consumables decreased 25.8%, or Euro 73 million, to settle at Euro 209.8 million, down from the 282.8 million of 2019 following a decline in production volumes and in the price of raw materials, with the average price of caprolactam and polymers in the EMEA, U.S. and China decreasing by more than 20% from the previous year. This trend also impacted the value of products in inventory at year end.

8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Transport, shipping & customs	14,812	16,899
Electricity, propulsive energy, water and gas	32,523	36,180
Maintenance	8,511	10,156
Services for personnel	2,787	4,877
Technical, ICT, commercial, legal & tax consultancy	8,459	9,457
Insurance	2,320	2,241
Marketing and advertising	3,079	3,926
Cleaning, security and waste disposal	2,910	3,325
Warehousing and external storage	2,740	2,942
External processing	1,745	2,164
Other sales expenses	99	350
Statutory auditors fees	157	156
Other service costs	3,665	3,901
Rentals and hire	2,259	3,838
Total	86,067	100,412

The decrease in service costs derives from the reduction in production and sales volumes as well as the benefits deriving from cost-savings implemented in order to contain the effects of the Covid-19 pandemic.

8.5 Personnel costs

These costs are broken down as follows:

(in Euro thousands)	December 2020	December 2019
Wages and salaries	76,951	84,596
Social security charges	17,720	18,521
Post-employment benefit	1,990	2,228
Other non-recurring costs	3,056	5,849
Director fees	2,151	2,086
Total	101,867	113,281

"Other non-recurring costs" principally refer for Euro 1.5 million to the start-up of the companies Aquafil Carpet Recycling #1 and Aquafil Carpet Recycling #2, for Euro 0.7 million the restructuring process implemented by AquafilSlo, for Euro 0.3 million leaving incentives of the Parent Company and for Euro 0.7 million to the restructuring at Aqualeuna GmbH

No top management bonuses were recognised as the operating objectives were not achieved.

The number of employees, broken down by category, is as follows:

	2020	2019	Media
Managers	48	51	49
Middle managers	139	130	137
White-collar	432	462	446
Blue-collar	2,079	2,292	2,178
	2,698	2,935	2,810

This decrease is mainly attributable to the closure of the Aqualeuna GmbH plant and the reduction in the workforce related, above all, to the U.S. and Slovenian plants. The reduction in cost follows the reduction in volumes produced and has benefited from cost-reduction efforts implemented in order to mitigate the effects of the pandemic.

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2020	December 2019
Taxes, duties & sanctions	2,688	2,068
Losses on asset sales	374	13
Penalties on supply contracts	0	511
Other operating charges	1,368	1,603
Total	4,430	4,194

The item "Taxes, duties and sanctions" mainly includes the costs for local taxes on real estate.

"Losses on asset sales" mainly concerns the disposal of the residual assets of the subsidiary Aqualeuna GmbH following the closure of the facility.

The aggregate "Other operating charges" mainly includes supply penalties relating to previous years, the release of a portion of the grant on the Effective project of the subsidiary AquafilSlo and costs incurred by the subsidiary Aquafil Jiaxing to deal with the Covid-19 emergency.

8.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Amortisation	3,069	2,727
Depreciation	33,123	28,557
RoU (Right-of-Use) depreciation	7,405	6,477
Total	43,600	37,765

The increase is due to the entry into operation of the high level of investments in recent years.

8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Doubtful debt provision	346	230
Provisions for risks and charges	632	325
Total	978	555

8.9 Costs for internal work capitalised

For the year 2020, this item amounting to Euro 5,830 thousand refers to the capitalisations made in relation to the following projects:

- Euro 2.2 million for new product development, as described in note 7.1;
- Euro 1.5 million for the improvement and technological upgrading of existing plant and equipment;
- Euro 0.7 million for the project to reorganise the EMEA carpet fibre production assets;
- Euro 0.6 million for the Effective research project described in the Directors' Report and in note 7.1;
- Euro 0.4 million for Information and Communication Technology activities.

8.10 Financial income

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Other interest	2	1,088
Interest income current accts.	350	107
Total	352	1,195

The movement is attributable to the extraordinary income recorded in the previous year and related to the redefinition of a leasing contract.

8.11 Financial charges

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Interest on bank loans and borrowings	2,587	2,530
Interest on bonds	3,599	2,779
Interest exp. on current accounts	687	830
Write-down of derivative financial instruments	249	323
Financial charges and interest expense	861	1,110
Total	7,982	7,573

The item "Other Financial charges and interest expenses" mainly refers to the effects deriving from the application of IFRS 16.

8.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2020	December 2019
Total exchange gains	7,998	5,529
Total exchange losses	(6,218)	(6,016)
Total exchange differences	1,780	(488)

The amount, equal to a profit of Euro 1.8 million for the year ended December 31, 2020, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

8.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	December 2020	December 2019
Current taxes	379	3,116
Deferred taxes	(896)	(1,597)
Total	(517)	1,519

Current taxes amounting to Euro 0.38 million in 2020 refer exclusively to taxes paid by foreign subsidiaries.

Aquafil S.p.A. and Tessilquattro S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code. Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the consolidating company. For 2020, tax losses were transferred to the consolidating company, generating deferred tax assets (i.e. revenues from tax consolidation) of Euro 0.98 million.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	At December 31, 2020	%	At December 31, 2019	%
Pre-tax profit	79		10,524	
Tax calculated on applicable rate	19	24.00%	2,526	24.00%
Effect difference between local and actual rates	(628)		(1,168)	
Effect use/remuneration of tax losses	872		1,208	
Tax effect other increases or decreases	367		918	
Other income taxes (IRAP) and other minor effects	(250)		(366)	
Total current income taxes	379		3,116	
Deferred tax income & charges	(896)		(1,597)	
Total income taxes	(517)		1,519	

8.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	December 2020	December 2019
Non-recurring charges	684	584
Expansion costs Aquafil Group	363	1,522
ACR1 and ACR2 non-recurring costs	2,957	3,116
Restructuring and other personnel costs	2,069	4,193
Non-recurring industrial charges		1,042
Total non-recurring costs	6,073	10,457
Non-recurring revenues – ACR2	(570)	0
Other non-recurring revenues	(101)	0
Financial income	0	(1,082)
Non-current deferred tax assets	0	(750)
Total non-recurring income	(671)	(1,832)
Non-operating income and charges	5,402	8,625

The item “Non-recurring charges” mainly refers to costs relating to previous years.

The item “Expansion costs Aquafil Group” refers to costs incurred for projects still in progress during the period by the subsidiary Aquafil USA Inc., and costs incurred for the incorporation of the new company, Aquafil Japan Co Ltd., for which reference should be made to the Directors’ Report.

“ACR1 and ACR2 non-recurring costs” mainly refer to the costs incurred over the start-up and development activities of the carpet recovery technology of Aquafil Carpet Recycling # 1, Inc. and Aquafil Carpet Recycling # 2 Inc.

“Restructuring and other personnel costs” refer mainly to that owed by the subsidiary Aqualeuna GmbH to its personnel to close production activities, the provisions of AquafilSlo for its restructuring process and the leaving incentive settled by the parent company.

Here, too, it should be noted that the revenues described in note 8.2 above related to grants obtained in response to the health emergency have not been categorised as non-recurring because they offset a recurring cost of the same nature, mainly related to the cost of personnel that was unable to work during the lockdown.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)		of which non-recurring	Percentage
Net profit/(loss)	595	(5,402)	(908%)
Net cash flow in the year	118,554	(4,452)	(3.8%) (*)
Total assets	679,698	(979)	(0.1%) (**)
Net financial debt	(218,736)	(4,164)	1.9% (*)

(*) This amount concerns the non-recurring items paid in the year.

(**) Amount of non-recurring income statement items yet to be paid at year-end

8.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	December 2020	December 2019
Profit attributable to the owners of the Parent	595	9,005
Weighted average number of shares	50,991	50,991
Earnings per share (in Euro)	0.01	0.18
Earnings per share – diluted (in euro)	0.01	0.18

We point out that diluted earnings per share is equal to the above-mentioned earnings per share because there are no stock option plans.

9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2020 and December 31, 2019, determined in accordance with ESMA/2013/319 Recommendations:

NET FINANCIAL DEBT

(in Euro thousands)	At December 31, 2020	At December 31, 2019
A. Cash	208,954	90,400
B. Other liquid assets		
C. Securities held-for-trading		
D. Liquidity (A) + (B) + (C)	208,954	90,400
E. Current financial receivables	834	1,637
F. Current bank payables	(131)	(129)
G. Current portion of non-current debt	(67,480)	(46,056)
H. Other current financial payables	(8,353)	(8,547)
I. Current financial debt (F) + (G) + (H)	(75,964)	(54,733)
J. Net current financial debt (I) + (E) + (D)	133,824	37,304
K. Non-current bank payables	(240,940)	(169,796)
L. Bonds	(90,406)	(90,458)
M. Other non-current financial receivables and payables	(21,214)	(26,619)
N. Non-current financial debt (K) + (L) + (M)	(352,560)	(286,874)
O. Net financial debt (J) + (N)	(218,736)	(249,570)

The net financial reconciliation between the beginning and end of the year are presented below. The effects indicated include the currency effects.

(in Euro thousands)		<i>of which current portion</i>	<i>of which non-current portion</i>
Net Debt at December 31, 2019	(249,570)	37,304	(286,874)
Net cash flow in the year	118,554	118,554	
Decrease in liquidity subject to restrictions	(803)	(803)	
New bank loans and borrowings	(105,000)		(105,000)
Repayment /reclass. bank loans and borrowings	12,485	(21,424)	33,909
Repayment/reclass. lease liability	5,848	194	5,653
Change in fair value derivatives	(248)		(248)
Other changes	(2)	(2)	
Net Debt at December 31, 2020	(218,736)	133,824	(352,560)

10. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions.

Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Total	Total book value	% on total account items
Non-current financial assets						
At December 31, 2020	234	6	79	318	650	48.92%
At December 31, 2019	234		79	313	765	40.90%
Trade receivables						
At December 31, 2020			66	66	22,015	0.30%
At December 31, 2019			69	69	24,960	0.28%
Other current assets						
At December 31, 2020	3,187			3,187	11,981	26.60%
At December 31, 2019	2,209		22	2,231	12,126	18.40%
Non-current financial liabilities						
At December 31, 2020	(2,180)		(3,226)	(5,406)	(352,560)	1.53%
At December 31, 2019	(2,419)		(7,205)	(9,624)	(286,970)	3.35%
Current financial liabilities						
At December 31, 2020	(513)		(2,848)	(3,361)	(75,964)	4.42%
At December 31, 2019	(519)		(3,052)	(3,572)	(54,733)	6.53%
Trade payables						
At December 31, 2020	(62)		(341)	(403)	(69,168)	0.58%
At December 31, 2019			(127)	(127)	(76,089)	0.17%
Other current liabilities						
At December 31, 2020	(230)			(230)	(22,835)	1.01%
At December 31, 2019	(230)		(6)	(236)	(23,551)	1.00%

The transactions of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Other related parties	Total	Book value	% on total account items
Revenues					
December 2020		53	53	436,602	0.01%
December 2019		58	58	548,955	0.01%
Service costs and rent, lease and similar costs					
December 2020		(446)	(446)	(86,067)	0.52%
December 2019		(491)	(491)	(100,412)	0.49%
Other operating costs and charges					
December 2020		(70)	(70)	(4,430)	1.57%
December 2019		(70)	(70)	(4,194)	1.66%
Financial charges					
December 2020	(53)	(173)	(226)	(7,982)	2.83%
December 2019	(39)	(214)	(252)	(7,573)	3.33%

The following table summarises cash flows with related parties of the Group and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	of which related parties	% on total account items
Result for the year	595	(689)	(116)%
Financial Expense	7,982	(226)	(3)%
Increase/(Decrease) in trade payables	(6,920)	276	(4)%
Decrease/(Increase) in trade receivables	2,599	3	0%
Changes to assets and liabilities	(7,510)	(1,076)	14%
Net change in current financial assets and liabilities	(4,774)	(4,428)	93%

11. OTHER INFORMATION

11.1 Commitments and risks

Other commitments

At December 31, 2020, the parent company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 19.3 million.

Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the parent company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

(1) *Aqualeuna GmbH position paper*

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. Given the supranational scope of the transactions concerned, the Large Contributions office of Italian tax authorities in Milan were involved in a joint Italy-Germany audit in order to ensure all the safeguards against double taxation in accordance with Article 31-quater, letter b), of Italian Presidential Decree 600/1973. Thus far, within the scope of this joint audit, a number of meetings have been held with the respective authorities and the required documentation has been provided. After the months of lockdown due to the Covid-19 emergency, on September 16, 2020, the German tax office issued a position paper that would lead to an overall correction to the taxable income of the subsidiary Aqualeuna for assumed, although uncertain, amount estimated at Euro 11 million. While awaiting the joint audit, the Group has taken steps, together with the two authorities, to reach an agreement for elimination of the double taxation that could arise; however, due to COVID restrictions, it has not yet been possible to enter into active discussions. In any event, the German position paper is not an administrative act, but rather an informational document issued to the Italian authorities. It is not binding for the taxpayer and is used by the German authorities, within the scope of the joint audit, to inform their Italian counterparts of their initial negotiating position on the matter so as to verify whether, in the joint audit, a shared interpretation and, consequently, an agreement between the two authorities can be reached so as to avoid, by way of "corresponding adjustments", the double taxation of the taxpayer. Therefore, given that the intentions of the German and Italian tax offices have yet to be expressed in relation to the taxpayer in the form of an official administrative act, it is not possible to reach an evidence-based estimate of the potential impact of the audit. Nonetheless, in the event of failure by the authorities to reach an agreement within the joint audit, it will remain possible to pursue unilateral

procedures and, failing these, friendly settlement/arbitration proceedings so as to avoid double taxation by granting “corresponding adjustments” to the taxpayer (Article 31-quater, letter c, of Italian Presidential Decree 600/1973). Given all of the above, and as supported by the opinion of tax consultants, this potential liability is not deemed to be measurable and is, in any event, not probable. For this reason, no related provision for risks has been recognised.

(2) 1997 VAT dispute

In July 2020, in relation to a 1997 VAT credit in the amount of ITL 607,312,000 plus interest, and after three court rulings in the company’s favour, Aquafil S.p.A. obtained the refund of the entire sum plus interest for a total of approximately Euro 510 thousand, in addition to the reimbursement of legal fees.

(3) IMIS – Riva del Garda (TN) Land Registry dispute

In relation to the appeal filed on October 29, 2018, against the Land Registry of the Province of Trento – Riva del Garda concerning the request to nullify the tax assessment for allocation of the land register income value of “bolted-down” assets concerning fiscal years 2013, 2014 and 2015, following the favourable ruling of the Trento Tax Commission of June 2019, the Land Registry of the Province of Trento adjusted the income value in March 2020 and recalculated the taxable value, which resulted in favourable adjustment by the tax authorities.

(4) “ACE” tax deduction appeal

Aquafil S.p.A. declared 2019 revenues for corporate income taxation using the Economic Growth Assistance (“ACE”) deduction allowed by law, as was done for 2018 revenues. Given potential doubts in the interpretation of 2019 revenues, on October 30, 2020, the company filed a specific brief describing the situation, as was done for the 2018 fiscal year. On February 25, 2021, the Large Contributions office of the Italian tax authority confirmed its opinion in favour of using the ACE deduction as proposed by the company.

(5) Settlement notice for registry tax on sale of Aquafil EP S.p.A.

Settlement notice of December 21, 2017 for Euro 1,343 thousand of registration tax, in addition to penalties and interest, connected with the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest. The Company, in turn, paid Domo Chemicals Italy S.r.l. 50% of the due amount, recording in the 2018 financial statements, a receivable from Domo Chemicals Italy S.r.l., confident in the settlement of that due as the notice is considered undisputedly illegitimate by tax consultants. The court of appeals issued its ruling on July 21, 2020, declaring the issues of constitutionality referred to in the dispute (Article 1, paragraph 1084, of the 2019 Budget Law) to be unfounded. On August 4, 2020, the company filed a request for a hearing, the date for which has not yet been set.

(6) Audit of income tax, IRAP and VAT for 2015

In February 2019, the Trento Office of the Italian tax authority launched a general audit of the 2015 tax period for Aquafil S.p.A., which concluded with the notification, on June 14, 2019, of a tax assessment that revealed a number of findings in relation to transfer pricing for a maximum potential risk for the Company of approx. Euro 876 thousand. The company, supported by the opinions of its consultants, does not agree with the findings both in substance and quantum. Given the current health emergency, it has not been possible to enter into effective discussions with the authorities concerning numerous disputed aspects, as to both the merits and the amount, specifically concerning the issues raised. In agreement with the tax office, the company has decided to await issuance of the tax assessment, which is expected to be received in 2021. Therefore, it is currently too early to quantify the contingent liability, which is currently seen as merely possible, not probable, and cannot, in any event, be quantified.

(7) Suspension of VAT refund – 2019 fiscal year

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). After examining the documentation provided by the Company during the procedures for disbursing the refund, the tax office, during a meeting held on October 13, 2020, at the Trento Office, raised certain doubts concerning the VAT payable by Space3 up to the moment of its merger into Aquafil and, consequently, the right to VAT deduction. With regard to these doubts, in November 2020, the Company issued clarifications in order to obtain recognition of the right to deduct the VAT paid by Space3 (now Aquafil) during the period prior to the merger and, consequently, settlement of the VAT credit to be refunded. Within this context, and given the assessment on the 2015 fiscal year (as described at point 6), on November 6, 2020, the tax office issued an order suspending the VAT refund in order to defer execution of the refund in accordance with Article 69 of Italian Royal Decree No. 2440/1923.

11.2 Remuneration of senior management

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

Name	Office	State	Emoluments Office	Emoluments Committees	Remuneration Employee (1)	Remuneration Subsidiaries (2)	Total
Giulio Bonazzi	Chairman BoD & Chief Executive Officer	In office	1,210,000			143,000	1,353,000
Adriano Vivaldi	Executive Director & CFO	In office	90,000		288,755	43,000	421,755
Fabrizio Calenti	Executive Director & Chairman NTF & ECONYL®	In office	90,000		337,598		427,598
Franco Rossi	Executive Director & Chairman BCF USA	In office	42,500			252,168	294,668
Simona Heidempergher	Lead Independent Director & Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000			65,000
Francesco Profumo	Independent Director Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000			65,000
Ilaria Maria dalla Riva	Independent Director Member Risk Control Committee & Appointments and Remuneration Committee	In office	21,421	10,710			32,131
Margherita Elena Maria Zambon	Independent Director Member Appointments and Remuneration Committee	In office	40,000	10,000			50,000
Carlo Pagliani	Director & Member Risks Control Committee	Departed	18,579	4,645			23,224
Silvana Bonazzi	Director	In office	40,000				40,000
Stefano Giovanni Loro	Chairman BCF EMEA	In office			256,840	50,000	306,840
Giuseppe Crippa	Vice Chairman BCF industrial activities	In office			169,924	18,000	187,924
Sergio Calliari	Vice Chairperson Finance Dept. Executive Officer ex 262/2005	In office			155,951	18,000	173,951
Karim Tonelli	Investor Relator & Performance Management Director	In office			163,910		163,910
Denis Jahic	Chief Executive Officer AquafilSLO & NTF Industrial Operations Manager	In office				167,939	167,939
Gregor Kranjc	Executive Director & Chief Financial Officer AquafilSLO	In office				130,827	130,827
Sasa Muminovic	Executive Director & Human Resources Manager AquafilSLO	In office				134,136	134,136
Poggi Longostrevi Stefano	Chairman Board of Statutory Auditors	In office	50,000				50,000
Buttignon Fabio	Statutory Auditor	In office	35,000				35,000
Solimando Bettina	Statutory Auditor	In office	35,000				35,000
Totale			1,752,500	75,355	1,372,978	957,071	4,157,904

(1) Employee remuneration is to be understood as disbursed by Aquafil S.p.A..

(2) Remuneration by subsidiaries includes both employment income, directors' emoluments and any bonuses disbursed by Aquafil S.p.A. subsidiaries.

The following members of the Board of Directors or Senior Executives, Adriano Vivaldi, Fabrizio Calenti, Stefano Loro, Giuseppe Crippa, Sergio Calliari and Karim Tonelli are guaranteed policies for the reimbursement of medical expenses, injury and death that are as a minimum in line with the provisions of the National Collective Labour Agreement for Industrial Executives; moreover, Fabrizio Calenti, Stefano Loro and Giuseppe Crippa are granted the use of apartments for residential purposes.

11.3 Significant events after December 31, 2020

On February 11, 2021, Aquafil Carpet Recycling #1, Inc., received confirmation of the Paycheck Protection Program (PPP) forgiveness payment in the amount of USD 396,000 by the US Small Business Association (SBA).

On February 26, 2021, given the high level of liquidity available, the loan received from Intesa San Paolo with a remaining balance of Euro 2.5 million was paid in full ahead of schedule, and the instalment of Euro 1.5 million due in 2021 on the loan with an original balance of Euro 15 million was paid early. The bullet loan from Cassa Depositi e Prestiti in the amount of Euro 20 million was also paid ahead of schedule. Additional loans are expected to be paid in full during the year ahead of their original amortisation schedules.

As published on the company's website on February 17, 2021, *Fabrizio Calenti*, executive director of Aquafil S.p.A., resigned for personal reasons effective as of June 30, 2021. The Group has begun efforts to select a suitable replacement for the role.

The company *Aquafil Japan Co., Ltd.*, based in Tokyo (Japan) and a wholly owned subsidiary of Aquafil S.p.A., was established on February 12, 2021, and will be responsible for the transformation and commercialisation of synthetic fibres and polymers for the Japanese market.

Also on February 12, 2021, the Japanese ITOCHU Corporation, a world leader in the trade of caprolactam and polyamide polymers, an Aquafil S.p.A. announced a memorandum of understanding for a strategic partnership aimed at promoting and expanding the production of circular nylon, from recycling nylon waste to the development, production and sale of nylon products under the ECONYL® brand, inspired by a shared commitment to a sustainable future.

11.4 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the companies of the Group recorded in 2020 the following:

- i) Euro 85,105 of Aquafil S.p.A. relating to the sale of the external electricity distribution network produced by the photovoltaic plant
- ii) Euro 24,772 relating to training grants for Aquafil S.p.A. of Euro 21,690 and Tessilquattro S.p.A. of Euro 3,082
- iii) Euro 13,333 of Aquafil S.p.A. relating to De Minimis grants on rentals

With regards to any subventions, contributions or other financial benefits received by the parent company in 2020 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

We also report that during the year the Group also recorded EU grants as described in the Directors' Report.

Attachment 1 – Disclosure pursuant to Article 149 of the Consob Issuer’s Regulation

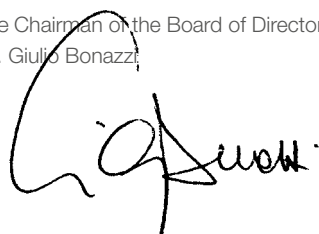
The following table, drawn up pursuant to Art. 149-*duodecies* of the Consob Issuers’ Regulation, highlights the fees charged in the year 2020 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.

Company providing service	Recipient of service	Type of services	Fees 2020
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	127,188
		Audit consolidated financial statements	40,047
PwC S.p.A.	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	24,900
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	131,520
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of the 2020 consolidated half-year report	29,100
PwC S.p.A.	Italian subsidiary companies	Limited Audit 2020 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2020 half-year Group Reporting Package	70,150
Total Audit services provided in 2020 to the Aquafil Group by Worldwide Audit firm			433,805
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of Consolidated Non-Financial Report	26,200
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2019 research and development costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other permitted support services	6,720
Total other audit services provided in 2020 to Aquafil Group by Audit Firm			37,720
PwC (1)	Foreign subsidiaries	Other permitted support services	2,000
Total services provided in 2020 to companies of the Aquafil Group by entities belonging to PwC network			2,000

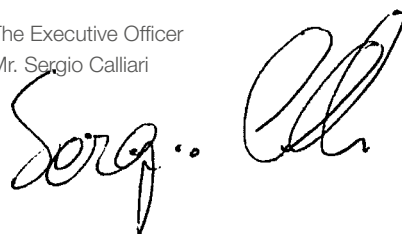
(1) Other companies belonging to the same PwC S.p.A. network.

Arco, March 11, 2021

The Chairman of the Board of Directors
Mr. Giulio Bonazzi



The Executive Officer
Mr. Sergio Calliari



Aquafil S.p.A.

2020 Corporate Governance and Ownership Structure Report

as per Article 123-bis of Legislative Decree No. 58/1998

(traditional administration and control model)
Website: www.aquafil.com
Year: 2020
Approval date of Report: March 11, 2021



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KEY DEFINITIONS

The key definitions utilised in this Report are illustrated below.

Borsa Italiana	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
Civil Code	refers to Legislative Decree 262 of March 16, 1942, and subsequent amendments and supplements.
Self-Governance Code or Code	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the section “Borsa Italiana – Regulation – Corporate Governance”, also as replaced by the new Corporate Governance Code in force since January 1, 2020 and formally adopted by the Company on February 17, 2020.
CONSOB	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
Effective Merger Date	December 4, 2017.
Issuer, Aquafil or Company	Aquafil S.p.A., with registered office in Arco (Trento), Via Linfano, No. 9, VAT and Tax No. 09652170961.
Reporting Period	year ended December 31, 2020
Merger	the merger by incorporation of Aquafil (pre-merger), completed on the Effective Merger Date.
Group or Aquafil Group	Aquafil and the companies within its consolidation scope.
Stock Exchange Instruction Regulation	the Instructions to the Regulation for Markets organised and managed by Borsa Italiana.
Market Warrants	the warrants pursuant to the regulation for “ <i>Aquafil S.p.A. Market Warrants</i> ”.
MIV	the Investment Vehicles Market organised and managed by Borsa Italiana.
MTA	the Italian Stock Exchange organized and managed by Borsa Italiana.
Transaction	the business combination between Space3 and Aquafil (pre-merger), as approved by the Board of Directors of the above-mentioned companies on July 15, 2017, undertaken principally through the Merger.
SMEs	small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter w-quarter1), of the CFA.
Related Party Transactions Policy or RPT Policy	the related party transactions policy adopted by the company in compliance with the Consob RPT Regulation.
Stock Exchange Regulation	the regulation for markets organised and managed by Borsa Italiana, and subsequent amendments and supplements.
Issuers’ Regulation	the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
Related Parties Regulation or RPT Regulation	the regulation adopted by Consob motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented) in relation to related party transactions.
Report	this Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of the CFA.
Space 3	indicates Space 3 S.p.A.
Space Holding	Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promotor of Space3.
Sponsor Warrants	the warrants pursuant to the regulation for “ <i>Aquafil S.p.A. Sponsor Warrants</i> ”.
Company By-Laws	the By-Laws of the Company in force at the reporting date.
CFA	Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

1. COMPANY PROFILE AND GOVERNANCE SYSTEM

For more than 50 years, Aquafil has been a leading Italian and global producer of synthetic fibers, and particularly of polyamide 6 fibers.

The Group sets benchmarks in terms of quality, innovation and new sustainable development models. It is considered a strategic choice in view of the focus on continual process and product development, delivered through ongoing capital and know-how investment.

The Group operates, with over 2,700 employees and 15 production facilities, in eight countries on three continents: Italy, Slovenia, Croatia, Germany, the United Kingdom, the United States, Thailand and China.

Aquafil's Corporate Governance system, i.e. the set of rules and conduct adopted for streamlined and transparent corporate board and control systems, in accordance with the regulatory provisions for Italian listed companies and based on the Self-Governance Code's principles and recommended application criteria. The Company also voted on February 17, 2021 to adopt the Corporate Governance Code, which was approved by the Corporate Governance Committee and is effective for the year beginning January 1, 2021.

As an Italian-registered company with shares traded on the STAR segment of the Italian Stock Exchange and compliant with the Code, Aquafil's corporate governance structure - based on the traditional model - is composed of the following bodies: The Shareholders' Meeting; the Board of Directors, also operating through the Chief Executive Officer and the Executive Directors; the Board of Statutory Auditors; the Control, Risks and Sustainability Committee; the Appointments and Remuneration Committee; the Supervisory Board; the Independent Audit Firm.

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The motions passed in compliance with law and the By-Laws bind all shareholders, including those absent or dissenting, although these latter have the right to withdrawal in permitted cases. The Shareholders' Meeting is called in accordance with law and the regulations for companies with listed shares to resolve upon the matters reserved to it by law.

The Board of Directors sets out the company and Group strategic guidelines and is responsible for management oversight. It is therefore granted the widest powers of company administration considered appropriate in pursuit of the company's aims and objectives, with the sole exclusion, obviously, of those expressly reserved by law for the Shareholders' Meeting.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and in particular:

- operating control functions, in particular verifying:
 - compliance with the principles of correct management;
 - the adequacy of the company's organisational structure;
 - proper implementation of the Code;
 - the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
 - oversight of:
 - i.* the financial disclosure process;
 - ii.* the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
 - iii.* the audit of the statutory annual accounts and of the consolidated annual accounts;
 - iv.* the independence of the independent audit firm;
 - communicating to the Board of Directors the outcome of the statutory audit;
 - responsibility for the independent audit firm selection policy.

The statutory audit is not within the committee's scope, as assigned in accordance with law to an independent audit firm chosen by the Shareholders' Meeting.

The independent audit firm oversees the correct keeping of the accounting records and the reporting of operating events, while ensuring that the separate and consolidated financial statements are consistent with the accounting records and audits carried out and are compliant with applicable provisions. It may perform additional services assigned by the Board of Directors, where not incompatible with the statutory audit assignment.

The Supervisory Board completes the governance structure, with the company having adopted an Ethics Code and an Organisation, Management and Control Model as per Article 6 of Legislative Decree No. 231/2001 and subsequent, applying the relative structure of powers and duties.

This Report, approved by the Board of Directors on March 11, 2021, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2020, pursuant to Article 123-bis of the CFA and in light of the Self-Governance Code's provisions, as well as the "*Format for the report on corporate government and ownership structure*" document (VII Edition, January 2019) prepared by Borsa Italiana.

This Report, which forms an integral part of the Directors' Report, and the By-Laws, are available on the company website (www.aquafil.com – Corporate Governance).

2. DISCLOSURES ON SHAREHOLDERS (ARTICLE 123-BIS, PARAGRAPH 1 OF THE CONSOLIDATED FINANCE ACT)

2.1 SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)

2.1.1 Share capital and shares of the Company

At the Reporting date, the subscribed and paid-in share capital of Aquafil amounts to Euro 49,722,417.28, comprising 51,218,794 shares divided into 42,822,774 ordinary shares, 8,316,020 special B shares (B Shares) and 80,000 special C shares (C Shares), all without nominal value.

Specifically, Aquafil's share capital is broken down as follows:

	No. of shares	% of share capital (with market indicated)/ not listed	Listed (with market indicated)/ not listed	Rights and obligations
Ordinary shares ISIN Code IT0005241192	42,822,774		MTA, STAR Segment	The shares are indivisible and each share shall entitle the holder to one vote. Those in possession of shares may exercise their shareholder and equity rights in compliance with the limits established by statutory regulations and the By-Laws
Multi-votes shares (B Shares) ISIN Code IT0005285330	8,316,020		<i>Non-listed</i>	Assign the rights as per Article 5 of the By-Laws, including the right to three votes per share at Shareholders' Meetings
Shares without voting rights (C Shares) ISIN Code IT0005241747	80,000		<i>Non-listed</i>	Assign the rights as per Article 5 of the By-Laws
Other				

Taking account of the share's value at December 31, 2020 and the number of shares at that date, the capitalisation was Euro 249,695,389.46.

The ordinary shares, the B Shares and the C shares are subject to the dematerialisation rules pursuant to Article 83-*bis* and thereafter of the CFA.

The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.4 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

- each B Share confers the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the company, subject to any statutory limitation;
- they automatically convert into ordinary shares, based on one ordinary share for each B Share (without requiring a motion of the B Shares special shareholders' meeting or of the shareholders' meeting of the company) in the event of: (i) transfer to parties who are not already holders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee loses the status of parent, control by or under the common control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; (ii) in the case in which the holder of the B Shares ceases to be controlled, directly or indirectly, by (a) Giulio Bonazzi; (b) Roberta Previdi; (c) Silvana Bonazzi; (d) Francesco Bonazzi and/or (e) one or more direct line successors upon death of both (and not only one of) Giulio Bonazzi and Roberta Previdi, each of which, exclusively or jointly to one or more of the other above-mentioned parties;
- they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairman of the Board of Directors of Aquafil and in copy to the Chairman of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The conversion is ratified by the Board of Directors by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

In accordance with Article 5.5 of the By-Laws, the C Shares attribute the same rights as the ordinary shares, with the exception of:

- i. they are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;
- ii. they are excluded from the right to receive the profits which the company resolves to distribute by way of ordinary dividend;
- iii. they are non-transferable until April 5, 2022, except for: (a) the transfer of the special shares to withdrawing shareholders of Space Holding, on the completion of the liquidation of their holding in kind; and (b) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding for, among other matters, the investment of Space Holding in the company;
- iv. they attributed the right at the time of issue to the allocation of "Space 3 S.p.A. Sponsor Warrants" (now called "Aquafil S.p.A. Sponsor Warrants") in the ratio of 2 warrants for every C Share;
- v. they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every C Share, without the need for holders to request such and without amending the share capital, notwithstanding that this conversion will reduce the implied par value of the ordinary shares within 60 months from the Effective Merger Date in the amount of 80,000 C Shares in the case in which the official ordinary share price, for at least 20 days, even non-consecutively, out of 30 open consecutive trading days, is higher or equal to Euro 13 per ordinary share, subject to the fact that the period for the recording of the official ordinary share price for the triggering of this conversion event runs between the Space 3 Shareholders' Meeting date approving the Merger and the completion of 60 months from the Effective Merger Date. Where this period of 60 months is completed without conversion, all C Shares will automatically convert into 1 ordinary share, without amending the share capital.

The company may issue B Shares limited to the following cases: (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs. Under no circumstances can the company proceed with the issue of new C Shares.

In the event of a share capital increase to be carried out through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares - including ordinary shares, B Shares or C Shares – held by each at the time of execution of the share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special shareholders' meeting of the B Shares is not required, or of the C Shares special shareholders' meeting.

In the event of a share capital increase through the issue of ordinary shares and B Shares: (i) the number of newly issued ordinary shares and B Shares must be proportional to the number of ordinary shares and B Shares in which the share capital is divided on the date of the relevant motion specifying that, to this end, existing C Shares will be counted as an equal number as ordinary shares; (ii) holders of C Shares may subscribe to ordinary shares according to the portion of the share capital represented by ordinary shares and C Shares held at the time of the share capital increase and (iii) newly issued ordinary shares and B Shares must be offered to the individual shareholder in relation to and in proportion to, respectively, the ordinary shares and B Shares held at the time of the share capital increase, specifying that: (a) existing C Shares, for this purpose, will be counted as an equal number as ordinary shares; and (b) B Shares may only be subscribed to by shareholders who are already holders of B Shares; in the absence of subscription to newly issued B Shares by shareholders who are already holders of B Shares, the B Shares will automatically be converted into ordinary shares at the ratio of one ordinary share for every B Share and will be offered to other shareholders as provided by law.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

At the Reporting date, the company had adopted the remuneration plan for directors and employees of the Group described in the remuneration report prepared in accordance with Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-bis of the CFA and Article 84-bis of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-bis of the CFA, available on the company website www.aquafil.com – Corporate Governance section.

2.1.2 Warrants

At the Reporting date, the following financial instruments that grant the right to subscribe newly issued Aquafil ordinary shares had been issued.

	Listed (with market indicated)/ not listed	No. of instruments outstanding	Class of shares for conversion/ exercise	No. of shares for the conversion/ exercise
"Aquafil S.p.A. Market Warrants" ISIN Code IT0005241200	MTA, STAR Segment	5,485,662	Ordinary shares	1,488,358
"Aquafil S.p.A. Sponsor Warrants" ISIN Code IT0005241754	Non-listed	800,000	Ordinary shares	800,000

On December 23, 2016, the Extraordinary Shareholders' Meeting of Space 3 pre-merger — among other matters — approved:

- the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 “*Aquafil S.p.A. Market Warrants*”, through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value; and
- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 “*Aquafil S.p.A. Sponsor Warrants*”, through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The “*Aquafil S.p.A. Market Warrants*” may be exercised, in accordance with the terms and conditions of the Market Warrants Regulation, from February 5, 2018 until the first of the following dates: (i) the first open trading day subsequent to the completion of 5 years from December 4, 2017 and (ii) the first open trading day subsequent to the completion of 60 calendar days from publication of the Acceleration Communication (as defined in accordance with the Market Warrants Regulation). In particular, at the Reporting date, 2,014,322 Market Warrants have been exercised, against the subscription of 498,716 ordinary shares of the company.

The *Aquafil S.p.A. Market Warrants* are listed on the STAR segment of the Italian Stock Exchange.

As the Reporting date, Space Holding holds all of the “*Aquafil S.p.A. Sponsor Warrants*” (i.e. 800,000). The “*Aquafil S.p.A. Sponsor Warrants*” are exercisable, at the terms and conditions of the Sponsor Warrants Regulation, in the period between the first market trading day after December 4, 2017 (the Effective Merger Date) and the tenth anniversary of that date.

The *Aquafil S.p.A. Sponsor Warrants* are not listed on any regulated market.

The Market Warrants Regulation and the Sponsor Warrants Regulation are available to the public on the company website www.aquafil.com – Investor Relations Section – Shareholder Information.

2.2 RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), CFA)

At the Reporting date, there are no restrictions on the transfer of the ordinary shares of the company, subject to that illustrated below.

It should be noted that Space Holding has undertaken a lock-up commitment towards the Issuer with reference to the Aquafil ordinary shares arising from the conversion of special Space3 shares as part of the Merger, with reference to the Aquafil ordinary shares arising from the conversion of the C Shares upon the occurrence of the other events indicated in Article 5.5 of the By-Laws; the lock-up commitment will have a duration of 6 months from the relevant conversion.

There are no limits to holding shares of the company, nor any clauses to restrict becoming a shareholder.

2.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), CFA)

The ordinary shares of the Company are traded within the management system authorized pursuant to the CFA.

At the Reporting date, the company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available, the following table reports the data regarding the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries.

SIGNIFICANT SHAREHOLDINGS

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
GB&P S.r.l.	Aquafin Holding S.p.A.	58.50%	68.52%

2.4 SHARES WHICH CONFER SPECIAL RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined below.

Each B Share has the right to three votes pursuant to Article 127-sexies of the CFA at all Shareholders' Meetings of the company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 2.1.1 of this Report.

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-quinquies of the CFA.

2.5 EMPLOYEE SHAREHOLDINGS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE CFA)

At the Reporting date, there were no share ownership systems for Directors and employees as described in the remuneration report prepared in accordance with Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-bis of the CFA and Article 84-bis of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-bis of the CFA, available on the company website www.aquafil.com - Investor Relations Section.

2.6 VOTING RESTRICTIONS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), CFA)

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares. For completeness, the C Shares are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;

2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), CFA)

As at the date of this Report, and subject to the unilateral commitment of Space Holding as described in point 2.2 above, there are no significant shareholders' agreements pursuant to Article 122, paragraph 5 of the CFA.

2.8 CHANGE OF CONTROL CLAUSES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, OF THE CFA)

With regards to the agreements which may be voided in the case of a change in control of Aquafil S.p.A., we report the following.

Loan contracts

Aquafil loans in place at the Reporting date are shown in the table below:

(in Euro thousands)	Original amount	Granting date	Maturity date
Medium/long term bank loans - fixed rate			
Banca Intesa	10,000	2016	2021
Banca Intesa	15,000	2018	2024
Mediocredito Trentino Alto Adige	3,000	2017	2022
Banca Nazionale del Lavoro	7,500	2018	2025
Banca Nazionale del Lavoro	12,500	2018	2025
Credito Valtellinese	15,000	2018	2024
Deutsche Bank	5,000	2016	2021
Banca di Verona	3,000	2019	2024
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	15,000	2019	2026
Cassa Depositi e Prestiti	20,000	2020	2027
Cassa Depositi e Prestiti	20,000	2020	2021
Medium/long term bank loans - variable rate			
Banca Popolare di Milano	25,000	2018	2025
Cassa Risparmio di Bolzano	20,000	2018	2025
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	5,000	2016	2022
Banca di Verona	3,500	2016	2023
Banca di Verona	15,000	2017	2024
Deutsche Bank	5,000	2018	2024
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	10,000	2017	2025
Credito Valtellinese	3,000	2017	2023
Banca Intesa (ex Veneto Banca)	3,000	2017	2021
Monte dei Paschi	15,000	2018	2025
Crediti Emiliano	5,000	2018	2022
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023
Banca Popolare di Sondrio	5,000	2017	2023
Banca Popolare di Milano	15,000	2019	2025
Banca Popolare Emilia Romagna	10,000	2019	2025
Credit Agricole	10,000	2019	2025
Banca del Mezzogiorno	10,000	2019	2026
Banca Intesa	30,000	2020	2023
Banca Nazionale del Lavoro	20,000	2020	2025
Banco BPM	10,000	2020	2023
Credito Valtellinese	5,000	2020	2025

In addition, at the Reporting date, the Company had issued two bonds:

- for Euro 50 million with maturity on September 20, 2028;
- for Euro 40 million with maturity on May 24, 2029.

The main objectives of these contracts is to fund the company's investment plan, having the right to rescission where changes occur with regard to the direct or indirect control of Aquafil in accordance with Article 2359 of the Civil Code.

Contracts and Agreements

Within the scope of some contracts and commercial agreements signed by Aquafil, communication obligations in the case of a change in control are applicable; the company has also signed agreements in which the change of control clause may result in resolution.

These agreements, overall not significant in terms of company and Group operations, are subject to confidentiality restrictions.

Public Purchase Offer

The company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 2 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

2.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER M), CFA)

2.9.1 Share capital increases

The By-Laws do not specifically assign to the Board of Directors the power to increase the share capital. The Issuers' Extraordinary Shareholders' Meeting of December 23, 2016 approved:

- (i) the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 "Aquafil S.p.A. Market Warrants", through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value;
- (ii) the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 "Aquafil S.p.A. Sponsor Warrants", through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The Board of Directors has not been granted the power by the Shareholders' Meeting to increase the share capital in accordance with Article 2443 of the Civil Code, nor to issue equity financial instruments.

2.9.2 Treasury shares

At the Reporting date, the Company does not have treasury shares in portfolio.

2.10 MANAGEMENT AND CO-ORDINATION (AS PER ARTICLE 2497 AND SUBSEQUENT OF THE CIVIL CODE)

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The parent company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil. In addition, we report that: (i) the Board of Directors of the company approves the budget and the business plan; (ii) the company has independent negotiating powers with customers and suppliers; and (iii) a centralised treasury agreement between the company and the companies within the chain of control is not in place.

All of the Italian direct or indirect subsidiaries of Aquafil have met the publication requirements under Article 2497-bis of the Civil Code, indicating Aquafil as the company exercising management and co-ordination.

* * *

The information required by Article 123-bis, paragraph 1, letter i) of the CFA ("the agreements between the company and directors ... which provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public purchase offer") is illustrated in the Remuneration Report, drawn up as per Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, available in accordance with the provisions of law on the website of the Company www.aquafil.com.

The information required by Article 123-bis, paragraph 1, letter l) of the CFA relating to the "applicable regulations concerning the appointment and replacement of directors (...), in addition to the amendment of the By-Laws if differing from applicable law and regulations" is illustrated in the Board of Directors section.

3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)

This Report reflects and illustrates the corporate governance structure applied by the company in accordance with the Code, available at <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

The Board of Directors is always open to assessing new guidelines presented in the Code and their incorporation into the company's corporate governance system, as long as compatible with the company's situation and that the recommendations further improve the company's reliability in the eyes of investors.

Aquafil S.p.A. and its strategic subsidiaries - as identified by the Board of Directors' motion of February 14, 2020, namely Aquafil USA, Aquafil SLO doo and Aquafil Synthetic Fibres and polymers (Jiaxing) Co., Ltd - , to the best of the Board's knowledge, are not subject to any non-Italian legal provisions that affect the Company's corporate governance structure.

4. BOARD OF DIRECTORS

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the Company.

4.1 APPOINTMENT AND REPLACEMENT (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER L), CFA)

The company is administered by a Board of Directors made up of between 8 and 15 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All Directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations (which for the company with regards to 2020 is 2.5% of the share capital considering the share capital comprised of listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates must be filed at the registered office of the company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not above 15, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender balance (masculine and feminine), with rounding applied in accordance with current regulations.

The following must be attached to each slate, or else shall be considered as not presented:

- curriculum vitae of the candidates;
- declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the company, including where applicable, declarations on the independence of candidates;
- the shareholders who have presented the slates and their total shareholding;
- any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained the highest number of votes (the "Majority Slate"), all the directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the "Minority Slate") one director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender balance (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender balance, the non-elected Directors will be elected by the Shareholders' Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of Independent Directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of Independent Directors, the Shareholders' Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender balance regulations (rounded upwards where resulting in a fraction), in accordance with current regulations.

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of Directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the

Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders' Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of Independent Directors established by law and in accordance with applicable law and regulations in relation to gender balance.

The directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the Directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining Directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

In the event that, for whatever reason, one or more directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of independent directors as established by law, considering also the share segment, and in accordance with the applicable law and regulations on gender balance quotas.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration of the Board's mandate.

4.2 COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)

4.2.1 Members of the Board of Directors

The Board of Directors of the company is comprised of a minimum of 8 and a maximum of 15 members. The number of members is established by the Shareholders' Meeting.

As required by the Code, the Board of Directors consists of executive and non-executive directors; the number, the expertise, the authority and the availability of time of the non-executive directors is such to guarantee that their opinion can have a significant impact on board motions.

The Issuer's Shareholders' Meeting held on June 18, 2020 appointed the Board of Directors and set the number of members at 9 and the term of office at three financial years.

Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws *pro tempore*, the Shareholders' Meeting appointed the Board of Directors of Aquafil. In particular, it should be underlined that 8 (eight) members of the Board of Directors were taken from the slate submitted by the shareholder Aquafin Holding, which qualified as the Majority Slate, and 1 (one) member was taken from the slate that qualified as the Minority Slate.

The Board of Directors comprises, also in view of the gender balance regulation at Article 147-ter, paragraph 1-ter of the CFA, 9 Directors, of which 4 executives, as follows:

Office	Name	Place and date of birth	Date of appointment
Chairman & Chief Executive Officer	Giulio Bonazzi	Verona, July 26, 1963	June 18, 2020
Executive Director	Adriano Vivaldi	Riva (Trento), December 15, 1962	June 18, 2020
Executive Director	Fabrizio Calenti	Turin, August 20, 1957	June 18, 2020
Executive Director	Franco Rossi	Milan, November 2, 1959	June 18, 2020
Director	Silvana Bonazzi	Bussolengo (Verona), February 27, 1993	June 18, 2020
Director	Simona Heidempergher	Milan, November 1, 1968	June 18, 2020
Director	Ilaria Maria Dalla Riva	Pavia, November 20, 1970	June 18, 2020
Director	Margherita Zambon	Vicenza, November 4, 1960	June 18, 2020
Director	Francesco Profumo	Savona, May 3, 1953	June 18, 2020

The Board of Directors shall remain in office until the approval date of the 2022 Annual Accounts.

All members of the Board of Directors possess the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA.

In addition, the Independent Directors Heidempergher, Zambon, Dalla Riva and Profumo declared their independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Code.

The Non-executive and independent directors bring their specific expertise to Board discussions, contributing to the making of decisions in the company's interest.

The Directors act and deliberate in a knowledgeable and independent manner, pursuing the creation of value for the shareholders. They execute the role in the certainty of having the necessary time available to diligently perform their duties.

The Chairman coordinates activities and leads the Board of Directors' meetings and ensures that its members are informed appropriately in advance on the significant matters to be discussed and with regards to useful elements for constructive involvement, subject to necessity, urgency or confidentiality.

The Chairman, in addition, through the competent company functions, ensures that the Directors are involved in initiatives which improve their knowledge of the entity and its dynamics and that they are informed upon major legislative and regulatory developments regarding the company and the corporate boards.

The table on the following page provides further clarifications upon the Board of Directors' composition.

At the date of this Report, there have been no changes in the Board of Directors, except for the resignation of the Executive Director Fabrizio Calenti, which will be effective as at June 30, 2021 and of which the Company informed the Market at February 17, 2021.

The company highlights that no specific policies were adopted in terms of diversity, although it points out that the appointments of the members of administrative and control boards were driven by also taking account – in addition to applicable legal provisions – of: candidates' age (having therefore considered their possible experience and professional contribution) and individuals' training.

Given the company's successful experience in the first three-year period of the 2017-2019 listing and the sensitivity shown when renewing its members, the Board of Directors expects to be able to proceed along the same lines in 2021.

Board of Directors

Office	Members	Year of birth	Date first appointment (*)	In office from
Chairman & Chief Executive Officer	Bonazzi Giulio	1963	27/07/2017	18/06/2020
Executive Director	Vivaldi Adriano	1962	27/07/2017	18/06/2020
Executive Director	Calenti Fabrizio	1957	27/07/2017	18/06/2020
Director	Rossi Franco	1959	27/07/2017	18/06/2020
Director	Bonazzi Silvana	1993	27/07/2017	18/06/2020
Director	Heidempergher Simona	1968	27/07/2017	18/06/2020
Director	Ilaria Maria Dalla Riva	1970	18/06/2020	18/06/2020
Director	Zambon Margherita	1960	27/07/2017	18/06/2020
Director	Profumo Francesco	1953	27/07/2017	18/06/2020
Number of meetings held during the Year: 7	Control, Risks and Sustainability/RPT Committee: 9	Appointments and Remuneration Committee 5		

Board of Directors

**Control, Risks
Committee**

**Appointments
and Remun.
Committee**

In office until	Slate (**)	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. other offices (***)	(*)	(*)	(**)	(*)	(**)
App. fin. stats. 31/12/22	1	X									
App. fin. stats. 31/12/22	1	X									
App. fin. stats. 31/12/22	1	X									
App. fin. stats. 31/12/22	1	X									
App. fin. stats. 31/12/22	1		X								
App. fin. stats. 31/12/22	1		X		X			X			
App. fin. stats. 31/12/22	2		X		X				X		X
App. fin. stats. 31/12/22	1		X		X					X	
App. fin. stats. 31/12/22	1		X		X			X		X	

For further information on the slates filed for the appointment of the Board of Directors reference should be made to the website of the Company www.aquafil.com, where the professional curricula vitae of each director is available.

4.2.2 Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as directors of the company.

This decision was based on the Board's consideration that it was more appropriate for each Director to decide whether the office of Director or Statutory Auditor is compatible with positions held in other listed companies on regulated markets (including overseas), in financial, banking, insurance or large companies, with the diligent undertaking of their duties as Director of the Issuer.

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The same assessment was carried out at the June 18, 2020 Board of Directors induction meeting.

4.2.3 Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework.

The induction process began in 2018, when the Board of Directors met in Phoenix (Arizona), visiting one of the Group plants, so as to have a more practical understanding of one of the specific sectors in which the Issuer undertakes its activities and to better understand the underlying business operations and relative developments.

Subsequently, at the Board of Directors meeting of November 14, 2019, a plant visit was organised at Ljubljana (Slovenia) to concretely improve knowledge of the ECONYL® regeneration process, while training was also undertaken with an expert corporate governance lawyer on the main governance and risk management issues.

The year 2020 was marked by the outbreak of the Covid-19 Pandemic. Therefore, the Board was only able to organise a training session with an expert corporate governance lawyer to discuss the main changes related to the entry into force of the New Corporate Governance Code.

4.2.4 Board Evaluation

The Board of Directors carried out a self-assessment as per the Self-Governance Code.

Approved on November 13, 2020, the process was carried out internally with the drafting of a questionnaire which also takes into account the recommendations outlined in the Chairperson's Letter of the Corporate Governance Committee of December 20, 2020 and examining seven macro-areas of interest. This questionnaire was validated by the Chairperson of the Appointments and Remuneration Committee Mr. Profumo.

The responses were provided through: (i) integration into a single document of the individual responses provided by Directors, both in terms of the numeric assessment and the comments received; (ii) calculation of the assessment averages, both for the individual questions and for the areas of analysis; and finally, (iii) the collation and summary of the comments into individual profiles.

The results were therefore analysed by the Appointments and Remuneration Committee, and were subsequently presented to the Chairperson of the Board of Directors.

The Board Evaluation process was finalised at the meeting of March 11, 2021, informing the Board of Directors on how all areas of analysis returned more than satisfactory feedback, as well as ideas for improvement.

4.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D OF THE CFA)

4.3.1 Powers attributed to the Board of Directors

The Board shall have the widest powers of ordinary and extraordinary administration of the company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the Shareholders' Meeting.

The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following motions, without prejudice to the concurrent competence of the Shareholders' Meeting: (i) the opening and closing of secondary offices; (ii) the appointment of directors as company representatives; (iii) the reduction of the share capital in the case of withdrawal of the shareholders; (iv) the transfer of the registered office within the national territory, (v) the merger of the company in the cases established by Articles 2505 and 2505-*bis* of the Civil Code, also with regards to that stated, for spin-offs, by Article 2506-*ter*, final paragraph; and (vi) amendment of the By-Laws in accordance with regulatory provisions.

The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with the regulatory provisions and the Code, the Board reviews and approves in advance the Issuers' and its subsidiaries' operations, when having a significant strategic, economic or financial importance for the Issuer, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties.

The Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that these transactions, where not within the powers conferred to the Chief Executive Officer, are within the remit of the Board.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and the Executive Directors (listed in detail in paragraph 4.4.1 below), the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 13 below.

In compliance with Article 2381 of the Civil Code and application criterion 1.C.1., letter c) of the Code, the Board periodically assessed the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control and risk management system, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board shall be assisted, on a case by case basis, by the Control, Risks and Sustainability Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

Simultaneously, the Board at least quarterly shall assess the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer and the Executive Directors, as well as periodically, comparing the results with the budgets.

Similarly, the Board shall undertake their annual assessment, in accordance with application criterion 1.C.1. letter g) of the Code, in order to establish whether the size, the composition and the functioning of the Board and of its committees shall be adequate in relation to the operational and organisational needs of the company, also taking into account the professional characteristics, experience, including managerial and sectorial, of its members as well as the presence, of a total of 9 directors, of 5 Non-Executive Directors (of which 3 independent), capable of influencing, for their number and authority, the Board decisions and contributing their specific know-how and which also guarantees an appropriate composition of the Committees within the Board.

As of the date of this Report, the Shareholders' Meeting has not authorized any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Italian Civil Code.

4.3.2 Procedures and frequency of board meetings

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the company's registered office or another location, whenever the Chairman deems it necessary or whenever a request is made by the Chief Executive Office, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairman or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each director and statutory auditor at least five days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made at least two days before the date set for the meeting. The meeting of the Board and its motions are valid, even in the absence of formal call, where all directors in office and the majority of the Board of Statutory Auditors are in attendance, as long as the absent members of the Board of Statutory Auditors have been informed in advance of the meeting and are not opposed. In these cases (i) any of the attendees may oppose the discussion and voting of the matters on which they have not been adequately informed; and (ii) the motions undertaken should be communicated in a timely manner to the absent statutory auditors. In the absence of the Chairman, the chair of the meeting is assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

The meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairman and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Art. 154-bis of the CFA (the Executive Officer), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

In 2020, the Board of Directors met on 7 occasions, with an average meeting duration of approx. 2 hours and 20 minutes and a 100% participation rate for all directors.

For 2021, the Board of Directors has already met twice (including the meeting held today) and are expected to meet at least 3 more times (according to that stated in the approved financial calendar).

The meetings were appropriately minuted.

The Chairman of the Board of Directors ensured that the documentation relating to the matters on the agenda was made available to the Directors and Statutory Auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of pre-meeting information is guaranteed by communication of the documentation with an advance of at least 2 days before the date of the meeting of the Board of Directors. This timeframe was always respected, reporting an average of 3 days in advance, while aiming for 4 days in order to meet the Issuer's firm commitment to make pre-meeting information flows increasingly efficient.

In addition, the Chairman of the Board ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer and the Executive Directors ensure - within their respective scopes - that the executives are available to attend Board meetings so that valuable contributions may be made, in particular for the non-executive Directors to acquire adequate information on the operations of the Issuer.

The Executive Officer appointed normally attends the Board of Directors' meetings.

4.4 EXECUTIVE BODIES

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the directors who have delegated powers granted by the Board of Directors, with the General Managers, proxies and attorneys-in-fact, within the limits of the powers conferred to them.

4.4.1 Chief Executive Officer and Executive Directors

On June 18, 2020, the Board of Directors confirmed Giulio Bonazzi as Chief Executive Officer, as well as Adriano Vivaldi and Fabrizio Calenti as Executive Directors, granting them the powers described below.

The Chief Executive Officer is the main party responsible for the management of the Issuer. There are no interlocking directorates as per Criteria 2.C.5. of the Code.

(a) Powers of the Chief Executive Officer Giulio Bonazzi

All powers for the company's ordinary and extraordinary administration (with the sole exception of those that the By-Laws, the law or the Self-Governance Code reserve exclusively to the Board of Directors and the Shareholders' Meeting). In particular, Director Giulio Bonazzi is granted, including, and without limitation, full powers to manage the following areas, activities and corporate functions:

- a) commercial, promotional, marketing and communication activities;
- b) production and logistics activities;
- c) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case, including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (d) utilities, (e) rights and obligations of any nature and type, and (f) in any case, all that is deemed necessary by the Director for the company's management;
- d) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- e) activities related to financial transactions, including, without limitation: (i) to request and obtain bank credit facilities and/or short, medium and long-term financing of any kind and nature; (ii) to open, close and change bank current accounts of any kind and to make deposits and withdrawals (by obtaining associated instruments such as bank cheques or bank drafts and any other instrument deemed necessary for this purpose); (iii) to submit, recall or defer bills of any kind for discount or collection; (iv) to carry out factoring transactions of any form and type; (v) to grant, where necessary and/or required for financing activities, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (including, but not limited to, the creation of liens and mortgages, etc.);
- f) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- g) activities connected to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company;
- h) activities related to any operation or fulfilment of any kind and nature, to be carried out with both national and international government entities at all levels, supervisory authorities and/or surveillance authorities;
- i) to represent the company in court and out of court in all matters and before national and international courts of all types and at all levels, both as the plaintiff and the defendant, with the power (without limitation) to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and to confer all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other necessary act;
- j) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction; and
- k) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(b) Powers of the Executive Director Adriano Vivaldi

All powers for the ordinary and extraordinary management of the following business areas of the company and the Aquafil Group: administration, finance, control, legal, human resources and information and communication technology. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the following:

- a) with regard to the administration activity's management, the broadest and full powers to organise, manage and supervise the activities of the company and the Group, ensuring the company's full compliance with applicable regulations through, *inter alia*, the correct management of relations with suppliers and customers, the drafting and relative submission of each declaration and/or in general any documentation for tax purposes, within the deadlines and in the manner prescribed by applicable regulations (in any case, including the power to make use of external consultants, where necessary);

- b) with regard to the financial activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, by ensuring and maintaining a correct and effective financial management of the company (in any case, including the power to make use of external consultants, where necessary);
- c) with regard to the control activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining a management control system in line with any applicable standard or regulation and which allows for timely, correct and effective information on the company and Group's performance (with the power to make use of external consultants, where necessary);
- d) with regard to the legal activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining adequacy in respect of applicable regulations and ensuring the company and the Group's compliance and conformity thereof (with the power to make use of external consultants, where necessary);
- e) with regard to the management of human resources, the broadest powers to organise, manage and supervise the company and the Group's employees at all levels, and carrying out any necessary operation for the purposes of their management in every area (with the power to make use of external consultants, where necessary);
- f) with regard to the management of information and communication technology, the broadest powers to organise, manage and supervise such activities, ensuring and maintaining a technological and performance level that is at least in line with the sector in general;
- g) In addition to the above, the Director is specifically conferred (with full representation of the company) with the following powers:
 - i) maintaining relations and representing the company in respect of any financing institution, company and/or entity, with full delegation to operate with them in order to *inter alia*: (i) request and obtain bank credit facilities and/or short, medium and long term financing of any kind and nature; (ii) open, close and change bank current accounts of any kind and make deposits and withdrawals, by obtaining and signing associated instruments such as bank cheques or bank drafts and any other instrument or document deemed necessary for this purpose; (iii) submit, recall or defer bills of any kind for discount or collection; (iv) carry out factoring transactions of any form and type; (v) order payments and collect payments relating to the company's suppliers and customers with all necessary instruments; (vi) make transfers. All this, with the power to grant, where necessary and/or required, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (such as, without limitation, liens, mortgages, etc.);
 - ii) represent the company in all matters before national and international government entities of any kind and nature, and supervisory and/or surveillance authorities by signing statements, including tax statements, of any type, nature and form;
 - iii) represent the company in any matter in court and out of court and before national and international courts of all types and all levels, both as the plaintiff and the defendant, to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and conferring all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other act necessary for this purpose;
 - iv) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;
 - v) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- h) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- i) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction;
- j) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director for the company's management;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(c) Powers of the Executive Director Fabrizio Calenti

All powers for the management of the following business areas of the company and the Aquafil Group: activities in the *NTF* product area and the maintenance and development of *ECONYL*® technology, with the assignment of the office of *President of NTF Econyl & technology*. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the activities indicated below:

- a) commercial, promotion and marketing;
- b) production and logistics;
- c) product development and associated customer technical assistance;

- d) technological development and baseline and application R&D activities;
- e) the purchase and/or sale and/or trade and/or lease (with the exclusion of financial leasing) of (a) movable assets including those registered, (b) services of any kind and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director, within the limits of the powers conferred;
- f) those related to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

4.4.2 Chairman of the Board of Directors

On June 18, 2020, Giulio Bonazzi was confirmed as Chairman of the Board of Directors.

In view of the composition of the Board of Directors in office and the conferment of the above offices and powers, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Director Giulio Bonazzi is the Chairman of the Board of Directors and is principally responsible for company management.

In accordance with the Self-Governance Code, it was found necessary for the Board of Directors to designate Independent Director Simona Heidempergher as Lead Independent Director.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

4.4.3 Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Italian Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the Reporting date, an Executive Committee had not been established.

4.4.4 Reporting to the Board of Directors

Pursuant to Article 14.5 of the By-laws, the Board of Directors and the Board of Statutory Auditors are kept informed, inter alia by the persons with delegated powers, about the performance of the Company, its prospects and the transactions of greatest significance for its profitability, financial position or assets and liabilities carried out by the Company or its subsidiaries; in particular, such persons report any transactions in which they have an interest, on their own behalf or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. The communication shall be made in good time and, in any case, at least on a quarterly basis, either on the occasion of a meeting or by means of a written note.

From the beginning of their mandate, at least on a quarterly basis, the Chief Executive Officer and the Executive Directors reported in an adequate and timely manner to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express opinions in an informed manner on the matters under examination.

4.5 OTHER EXECUTIVE DIRECTORS

At the Reporting date, beyond the Chief Executive Officer and the Executive Directors, no other directors have been assigned delegated duties.

4.6 INDEPENDENT DIRECTORS

Pursuant to the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Borsa Italiana Regulation and Article IA.2.10. 6 of the Instructions to the Borsa Italiana Regulation, four independent directors currently hold office on the Board of Directors, in the persons of Simona Heidempergher, Margherita Zambon, Ilaria Maria Dalla Riva and Francesco Profumo.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Self-Governance Code (application criteria 3.C.1 and 3.C.2) on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, on assuming office on June 18, 2020 and at the meeting of February 17, 2021 the Board carried out the necessary checks on the fulfilment of the independence requirements of the afore-mentioned directors.

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members on July 16, 2020 and March 5, 2021.

The meeting of December 2, 2020 involved only Independent Directors - in the absence of other Directors - whereby considerations were developed and thereafter reported to the Board of Directors, concerning: **(i)** the organisation of Committee and Board works; **(ii)** their functioning, highlighting in particular the appreciation for increasing the teaching content of meetings; **(iii)** possible corporate governance improvements, in addition to **(iv)** how to integrate the stakeholders.

4.7 LEAD INDEPENDENT DIRECTOR

Considering the composition of the Board of Directors, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Chairman of the Board of Directors is principally responsible for company management. Therefore, on June 18, 2020, the Board of Directors resolved to appoint a lead independent director, confirming Ms. Simona Heidempergher, independent director. In accordance with the provisions of the Code, the Lead Independent Director was tasked with the duties of collecting and co-ordinating the petitions and contributions of non-executive directors, in particular of the independent directors, as well as working with the Chairman of the Board of Directors to ensure that directors receive adequate and timely information and may call meetings of the independent directors to discuss the functioning of the Board and corporate operations.

4.8 GENERAL MANAGER

As of the date of this Report, the Board of Directors has not appointed any General Manager.

5. PROCESSING OF CORPORATE INFORMATION

The company carried out a review and updating of the procedures concerning the processing of corporate information, with the support of an outside legal consultant in order to take into consideration the new rules and the Consob Guidelines, on February 14, 2020, the Board of Directors adopted the new version of the following policies: *(i)* the Relevant Information Processing Policy (“**RIL**”); and *(ii)* the Inside Information Processing Policy, reviewing the previous regulatory framework as approved by the Board of Directors on September 12, 2017 and entering into force on the Effective Merger Date.

It is indicated therefore that at the date of this Report, the following procedures are in force:

- (i) Inside Information Processing Policy;
- (ii) Inside information processing policy; and
- (iii) Internal dealing code of conduct.

5.1 RELEVANT INFORMATION PROCESSING POLICY

The objective of the Relevant Information Processing Policy (“**Relevant Information Policy**”) is to set the maximum level of confidentiality for information for which - as established by the Consob Guidelines and the Relevant Information Policy - there is a reasonable possibility that at a later date it may come at an inside nature.

The Relevant Information Policy therefore governs the identification of “Relevant Information” of Addressees (as therein defined) and the definition of the “List of Relevant Information”.

A copy of the Inside Information Policy is available on the website of the company www.aquafil.com - Procedures and Regulations Section.

5.2 INSIDE INFORMATION PROCESSING POLICY

The purpose of the Inside Information Processing Policy (the **Inside Insider Information Processing Policy**) is to prevent the release of Inside Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Inside Information, as governed by the afore-mentioned Inside Information Policy protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

A copy of the Inside Information Policy is available on the website of the company www.aquafil.com - Procedures and Regulations Section.

5.3 INTERNAL DEALING POLICY

In compliance with the provisions of the MAR Regulation, the company adopted an Internal Dealing Policy, which is available on the company website www.aquafil.com - Procedures and Regulations Section.

In accordance with the provisions of the Internal Dealing Policy, the Disclosure Officer is the person appointed for the implementation of the above-mentioned Policy and the updating of the list of Covered Persons.

In this regard, the Board of Directors of the Issuer confirmed the appointment of Ivan Roccasalva as Disclosure Officer on June 18, 2020.

6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of Aquafil have set up the following committees:

- Internal Control, Risks and Sustainability Committee
- Appointments and Remuneration Committee.

The Board has not indicated the need to currently establish a Related Party Transactions Committee, as such oversight is provided by the Control, Risks and Sustainability Committee.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

7.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with Article 2.2.3., paragraph 3, letter n) of the Stock Exchange Regulation, applicable to issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Code, the Board of Directors of the company set up an Appointments and Remuneration Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Appointments and Remuneration Committee the following Non-Executive Directors, all of whom independent:

Chairman	Francesco Profumo (*)
Member	Margherita Zambon
Member	Ilaria Maria Dalla Riva

(*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of June 18, 2020.

The meetings of the Appointment and Remuneration Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

In 2020, the Appointments and Remuneration Committee met 6 times, on February 14, March 3, March 13, July 16, November 13 and December 11; the meetings lasted on average approx. 1 hour and with full participation (i.e. 100% attendance).

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Remuneration Committee meetings.

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulations - applicable to the issuers with shares traded on the MTA, STAR segment - and application criterion 6.C.6 of the Code, no director takes part in the meetings of the Appointment and Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration is being discussed.

In 2021, at the Reporting Date, the Appointments and Remuneration Committee met on three occasions - on January 18, March 3 and March 11. All members attended the meetings, with each meeting lasting 1.5 hours on average.

7.2 APPOINTMENTS AND REMUNERATION COMMITTEE DUTIES AND ACTIVITIES

The Regulations for the functioning of the Appointments and Remuneration Committee were updated, also in order to align them where necessary with the provisions of the new Corporate Governance Code, and were approved by the Board of Directors on March 11, 2021.

In accordance with the Regulation, the Committee comprises three independent directors, or alternatively, non-executive directors, the majority of whom independent, from among whom the Chairperson will be chosen; as per this regulation, in addition, the members of the Committee should have appropriate expertise to execute the duties required of them and at least one member of the Remuneration Committee should possess adequate knowledge and experience with regards to finance and remuneration policies, and as assessed by the Board of Directors on appointment.

The Appointments and Remuneration Committee, with regards to appointments, supports the Board of Directors with investigative, proposal and consultation duties. In particular:

- (i) it assists the Board in defining and preparing any criteria for the designation of the parties at point (ii) below, as well as the board of directors of the subsidiaries;
- (ii) it draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board of Directors is considered beneficial, and also with regards to the following matters:
 - a) maximum number of director or statutory auditor positions in other companies compatible with the effective performance of the position of director with the company, taking account of the participation of directors on internal Board Committees. It therefore sets out general criteria based on the commitment related to each role (executive director, non-executive or independent), also in relation to the nature and to the size of the companies, as well as whether belonging to the Group. The committee also carries out investigative work with regards to the relative periodic checks and assessments.
 - b) assessments upon each matter or issue handled by the Board with regards to authorisation by the Shareholders' Meeting of any exceptions to the non-competition requirement under Article 2390 (non-competition requirement);
- (iii) reports to the Board its assessment with regards to the appointment of senior executives and members of the company's Boards and bodies, proposed by the Chief Executive Officer and/or by the Chairperson of the Board of Directors, appointed by the Board and oversees the relative succession plans. Where possible and appropriate, in relation to the ownership structure, proposes to the Board the Chief Executive Officer succession plan;
- (iv) it supports the Board in drawing up, updating and implementing the succession plan, if any, for the Chief Executive Officer and senior executives of the Company, by examining and assessing the criteria underlying the plan;
- (v) proposes to the Board directorship candidates where during the year one or more vacancies arises on the Board (Article 2386, first paragraph of the Civil Code), ensuring compliance with the minimum number of independent directors requirement and the under-represented gender quota;
- (vi) proposes to the Board candidates for the position of director to be submitted to the Shareholders' Meeting, taking into account any recommendation received from the shareholders, where it is not possible to obtain the required number of directors from the slates submitted by the shareholders;
- (vii) supervises the self-assessment of the Board and its Committees pursuant to the Corporate Governance Code, with regard to the size, composition and functioning of the Board of Directors and its committees, undertaking the preliminary investigation for the appointment, if necessary, of an external consultant for the self-assessment;
- (viii) taking account of the results of the self-assessment, draws up opinions for the Board - in view of the renewal of the board of directors - with regards to its size and that of its Committees, and also with regards to the managerial and professional expertise and roles which would support the Board or the Committees to express their position to the shareholders before the appointment of the new Board;
- (ix) undertakes the investigations required for the periodic verifications upon the independence and standing requirements of directors and on the absence of reasons for incompatibility or ineligibility;
- (x) draws up an opinion for the Board with regards to any activities carried out by directors in competition with those of the company;

- (xi) reports to the next appropriate Board meeting, through the Chairman of the Committee, on the main issues reviewed by the Committee at its meetings; in addition, reports to the Board, on at least a half-yearly basis and not beyond the deadline for approval of the annual and half-year financial reports, on the activities carried out, and also on the adequacy of the appointment system, at the Board meeting indicated by the Chairperson of the Board of Directors.

The Appointments and Remuneration Committee is also assigned the duty, with regards to remuneration, to assist the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of senior directors and executives. In particular:

- (i) periodically assesses the suitability, overall consistency and real application of the remuneration policy for Directors and Senior Executives. In the latter regard, it makes use of information provided by the Chief Executive Officers; formulates proposals to the Board of Directors on this matter, also with reference to the board of directors of the subsidiaries;
- (ii) presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors, as well as establishing the performance objectives related to the variable component of this remuneration; assesses the possibility of establishing long-term incentive plans for executive directors and senior executives; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- (iii) reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for approval of the Annual Financial Statements;
- (iv) carry out additional duties assigned by the Board of Directors;

The Appointments and Remuneration Committee may access all information and departments necessary for the undertaking of their duties, as well as utilising outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilise the services of a consultant for information on remuneration policy market practice, the Committee in advance verifies that such consultants are not in a position whereby their independence of judgement may be affected.

8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of the Directors is established by the Shareholders' Meeting. Pursuant to Article 15 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the directors, including senior directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the senior directors pursuant to Article 2389 of the Civil Code.

On June 18, 2020, the Shareholders' Meeting set the remuneration of the entire board of directors at Euro 430,000.00.

On August 28, 2020, the Board of Directors, having received the approval of the Board of Statutory Auditors and the Appointments and Remuneration Committee, also resolved to grant - for the financial year 2020 - additional compensation for their specific roles to the Chairman and CEO Giulio Bonazzi and the Executive Directors Adriano Vivaldi and Fabrizio Calenti.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and senior executives, reference should be made to the Remuneration Report prepared pursuant to Article 123-ter of the CFA and 84-quater of the Issuer's Regulation available on the company website at www.aquafil.com.

9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The incentive mechanisms for the Executive Officer are in line with the responsibilities assigned, as confirmed by the Board of Directors.

The incentive mechanisms for the Internal Audit Manager are in line with the responsibilities assigned, as confirmed by the Board of Directors.

10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

10.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with the combined provisions of Article 2.2.3., paragraph 3, letter o) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, as well as in accordance with the provisions of principle 7.P.4 of the Code, the Board of Directors internally set up a Control, Risks and Sustainability Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Control, Risks and Sustainability Committee:

Chairperson	Simona Heidempergher (*)
Member	Francesco Profumo
Member	Ilaria Maria Dalla Riva

(*) Person with adequate accounting, financial and risk management knowledge and experience, as reviewed by the Board of Directors meeting of June 18, 2020.

On August 28, 2020, the Board of Directors supplemented the functions of the committee on sustainability issues by approving the new Committee Rules.

The meetings of the Control, Risks and Sustainability Committee were coordinated by its Chairman and duly recorded in the minutes; the Chairman of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors attended these meetings.

In 2020, the Committee met 9 times; the average duration of meetings was of approximately 2 hours and all Committee members were in attendance.

During 2021, the Committee has already held 3 meetings - on February 12, March 5 and March 11.

10.2 FUNCTIONS ASSIGNED TO THE COMMITTEE AND ACTIVITIES CARRIED OUT

The Regulations for the functioning of the Control, Risks and Sustainability Committee was updated during 2020, in particular for the inclusion of the functions relating to sustainability, and approved by the Board of Directors on August 28, 2020.

The Regulations were subsequently updated, also to align them where necessary with the provisions of the new Corporate Governance Code, and approved by the Board of Directors on February 17, 2021.

In accordance with the Committee regulation, it supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the internal control and risks management system, and with regards to the approval of the periodic financial reports.

The Committee also assists the Board of Directors with regard to its duties concerning (i) the drawing up of the internal control and risk management system guidelines, so as to ensure that the principal risks concerning the company and its subsidiaries may be correctly identified, adequately measured, managed and monitored, establishing the basis for whether such risks are compatible with a sound and correct management of the company according to the identified strategic objectives; (ii) the periodic verification, undertaken at least annually, upon the adequacy and efficacy of the internal control and risk management system according to the specific characteristics of the company and the risk profile assumed; (iii) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system and the means for co-ordination among the parties involved, to assess its adequacy; (iv) the assessment, having consulted the Board of Statutory Auditors, of the results of the independent audit firm in its report and any letter of recommendations and in the report of fundamental questions established during the audit; (v) the management of risks from impacting events which the Board becomes aware of, supporting, through appropriate investigative actions, the assessments and decisions of the Board of Directors, (vi) the approval, at least annually, of the work plan drawn up by the internal audit manager, having consulted the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

The Control, Risks and Sustainability Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

- (i) evaluates, together with the executive officer for financial reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;
- (ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
- (iii) expresses opinions on specific aspects concerning the identification of the principal corporate risks;
- (iv) examines the periodic reports, concerning the assessment of the internal control and risk management system, and those of particular importance, prepared by the Internal Audit Department;
- (v) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit department;
- (vi) may request the Internal Audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
- (vii) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
- (viii) expresses opinions on the appointment, revocation, remuneration and budget made available to the internal audit function manager;
- (ix) carry out additional duties assigned by the Board of Directors;

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilise, at the expense of Aquafil and to the extent of the budget approved by the Board of Directors, outside consultants where their independence of judgment is not affected.

Other duties assigned to the Control, Risks and Sustainability Committee functions are set out in paragraph 12 below, including the assigned duties of the Related Parties Committee under the Related Party Transactions Policy.

On March 5 and on March 11, 2021, the Committee assessed the correct utilisation of the accounting policies and their uniformity in the preparation of the financial statements for the period and planned the constant review of the advancement of the projects for the review of the organization systems and models of the Group, of the internal control and risk management system as well as in this context, the completion of the 2020 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001 and subsequent amendments.

During the meetings held the Committee discussed the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the internal control and risk management system in order to ensure maximum efficiency and security of the system.

The meetings of the Committee will largely be undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors, of the Executive Officer for financial reporting and the internal audit manager and, where beneficial, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies is expected to permit the communication and discussion of the principal aspects relating to the identification of the business risks.

In the carrying out of its functions, the Committee has and will have full access to the information and to the corporate functions necessary for the carrying out of its remit.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA)

The Internal Control and Risk Management System is the set of rules, procedures and organisational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective internal control and risk management system contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

This system allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation of the company and of the main companies of the Group and soundly and correctly facilitates: (i) the monitoring of the main key performance indicators and risk factors that relate to the company and to the main Group companies; (ii) the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organizational complexity and specificity of the information needs of management ; (iii) the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

In 2020 the Board of Directors, among other issues:

- approved the work plan drawn up by the internal audit manager, after review by the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (Director in charge);
- assessed, having consulted the Board of Statutory Auditors, the results presented by the Independent Audit Firm.

In the exercise of these functions, the Board of Directors shall be supported by the Director in charge and the Control, Risks and Sustainability Committee.

On December 7, 2017, the Board of Directors approved the guidelines of the Executive Officer for Financial Reporting in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the Group.

At the Reporting date, the Issuer had completed the drafting and formulisation of the company policies to guarantee compliance with the applicable regulation.

At the Reporting date, the company:

- had renewed the following certifications:
 - for the BCF sector:*
 - REACH (Letter Conformity REACH);
 - ECONYL® Product Certificate (certification body: DNV);
 - ISO 14001: 2004;
 - ISO 9001: 2008 (Aquafil Quality management system);
 - ISO 9001: 2008 (Quality management system / TESSIL4);

- ISO 9001: 2008 (Quality Management System Certificate / Group);
- ECONYL® caprolactam certificate (certification body: DNV);
- OEKO – TEX (Aqualeuna);
- OHSAS 18001:2007;
- EPD* (ECONYL® polymer);
- EPD* (ECONYL® yarn (BCF Reprocessed));
- ISO 9001 (AquafilUSA);
- UL 2018 (AquafilUSA);
- ISO 9001:2008 (AquafilAsia Pacific);
- ISO 9001:2008 (Aqualeuna);
- ISO 14001:2004 (Aqualeuna);
- ISO 50001:2011 (Aqualeuna);
- ISO 9001:2008 (Aquafil Jaxing English language);
- ISO 9001:14001 (Aquafil Jaxing English language);
- OHSAS 18001:2007 (Aquafil Jaxing English language);
- OEKO – TEX (standard 100);

for the NTF sector:

- REACH (Letter Conformity REACH);
- ECONYL® Product certificate (certification body: DNV);
- ISO 14001 (aquafilSLO entire facility);
- Responsible care, AquafilSLO – Ljubljana (certification body: ICCA);
- OEKO - TEX Standard 100 Aquafil (standard 100);
- EPD * (ECONYL® polymer);
- EPD * (ECONYL® yarn);
- ISO 14001_2004 (AquafilCRO d.o.o.);
- ISO 50001_2011 (AquafilCRO d.o.o.);
- IQNet SR 10:2015 – Social Responsibility Management System (AquafilCRO d.o.o.);
- OHSAS 18001:2007 (AquafilCRO d.o.o.);
- OEKO – TEX (standard 100 AquafilSLO);
- OEKO TEX Standard 100 Aquafil S.p.A. ECONYL® (ECONYL® yarns);
- confirmed the adoption of the Ethics Code and ensures the continual update of its Organisational and Management Model, with reference to the prevention of offences as per Legislative Decree No. 231/01 and subsequent amendments, under the constant guidance of the supervisory board in office;
- completed a comprehensive risk assessment activity with the support of an external consulting firm, as well as the IT Risk Management assessment and IT risk analysis.

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial reporting process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

Moreover, the strengthening of the Internal Control and Risks Management System continued in 2020. This process comprised the following macro-elements:

- definition of the procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- identification of corrective actions, follow-ups and reporting – definition and sharing of corrective actions with the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for financial reporting and for the supervisory and control bodies;
- updating of Model 262 and related documentation, on the basis of corporate, organizational and procedural changes made.

The methodology followed for designing and for carrying out checks concerning the Model 262 were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyzes and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the ‘inherency’ of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, the 262 Model considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities are concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the Company documented and which were allocated in terms of responsibilities and authorised via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control, Risks and Sustainability Committee, the Board of Statutory Auditors and to the Director in charge and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

The Board of Directors periodically monitors the adequacy of the internal control and risks management system in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risks Management System, of the Control, Risks and Sustainability Committee, of the internal audit manager, of the Supervisory Board and of the Board of Statutory Auditors.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As part of the structuring and strengthening of the risk management and control system, on June 18, 2020, the Board of Directors confirmed Adriano Vivaldi as the Director in charge of the establishment and maintenance of an effective internal control and risk management system (the **Director in charge**).

In this regard, in 2020, based on the results of the risk assessment activities previously carried out, the ongoing procedural framework updates and improvements to the internal control system continued, ensuring overall compliance with legislative and regulatory requirements and an efficient and effective system in line with operating conditions.

11.2 INTERNAL AUDIT MANAGER

On August 28, 2020, having consulted with the Control, Risks and Sustainability Committee and the Board of Statutory Auditors, the Board of Directors confirmed Barbara Dalla Piazza as head of the internal audit department pursuant to the Corporate Governance Code.

At the Reporting date, the internal audit manager:

- fully implemented the activities set out in the 2020 Audit Plan, as approved by the Board of Directors in the meeting of March 13, 2020, with prior review by the Control, Risks and Sustainability Committee and the Director in charge and, among others, carried out direct and specific control activities within the Issuer and the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas; the internal audit manager also audited and assessed the suitability, efficiency and the effective functioning of the internal control and risk management system on an ongoing basis in relation to specific needs and in compliance with international standards;
- prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with defined plans for their containment, for the purposes of the appropriateness of the internal control and risk management system; these reports were sent to the Director in charge, the Chairman of the Board of Statutory Auditors, the Chairman of the Control, Risks and Sustainability Committee and, where required in relation to events under examination, to the Chairman of the Board and the Supervisory Board;
- prepared the 2021 Audit Plan, approved by the Board of Directors meeting of March 11, 2021, with prior review by the Control, Risks and Sustainability Committee, the Director in charge and consulted with the Board of Statutory Auditors.

In particular, the internal audit manager, carried out the verifications on the internal control and risk management system, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001).

In addition, during the Reporting Period, the results of the audit activities were analysed, discussed and shared, between the internal audit department, the head of the processes/departments involved from time to time and management of the company in order to agree upon and undertake appropriate preventative/corrective action, whose realization was constantly monitored until their complete execution.

The remuneration of the internal audit manager was determined in accordance with company policies. The Board ensures that the internal audit manager has adequate resources for the undertaking of his duties.

11.3 ORGANISATION MODEL AS PER LEGS. DECREE 231 OF 2001

The Issuer's Board of Directors, at its meeting of November 13, 2020, approved amendments to the Organisational, Management and Control Model comprising the Ethics Code, the General Part, the Special Parts and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organizational structure and with best practice.

It comprises a General Section and 1 Special Section (with 13 sub sections).

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organizational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Ethics Code.

The Ethics Code is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001 and subsequent.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of: (i) monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; (ii) conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; (iii) carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; (iv) ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; (v) carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

On November 13, 2020, the Board of Directors renewed the appointment of the Supervisory Board for 3 years, composed of three members, in the persons of Fabio Egidi, external member, as Chairman; Marco Sargenti, external member; and Karim Tonelli, internal member.

On March 11, 2021, the Supervisory Board presented a report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.

The Supervisory Board, during 2020, met 6 times, in addition to holding meetings for training purposes.

The offenses covered by the Issuer's model are in line with current law and in particular the Model was latterly updated at the Board meeting of November 13, 2020 with the inclusion, among others, of fiscal offences.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Ethics Code and Model may be consulted on the company website www.aquafil.com – Corporate Governance – Documents section.

11.4 INDEPENDENT AUDIT FIRM

On January 30, 2018, the Shareholders' Meeting of Aquafil, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment of KPMG S.p.A. for 9 years of which the last for the year ended December 31, 2024; and (ii) simultaneous appointed Pricewaterhousecoopers S.p.A. (**PwC**) for the duration of 9 years (from 2017 to 2025), in accordance with Article 13 of Legislative Decree No. 39/2010.

Therefore, the audit for 2017-2025 period was awarded to PwC S.p.A..

11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-bis of the CFA, providing him/her with adequate means and powers to carry out the role.

On June 18, 2020, the Board of Directors of the Issuer confirmed Mr. Sergio Calliari (Issuer employee in the role of Group Administration Director) as the Executive Officer for financial reporting as per Article 154-bis of the CFA.

The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for auditors by the applicable legal provisions.

The Executive Officer has the primary duty to design, manage and monitor the processes concerning, in particular, administrative-accounting information flows, including automatic data processing and accounting recording systems, also to provide — in the legally and regulatory required forms — the declarations on their adequacy and effective application.

The Executive Officer, in addition, is required to identify and assess the financial disclosure risks, identify and implement the required controls to mitigate the possibility that these risks occur and monitor and assess the effectiveness of the controls within a risk management and internal control system, in relation to the financial disclosure process, which is adequate and functioning.

As per Article 154-*bis* of the CFA, the Executive Officer is required to: *(i)* declare that the deeds and communications of the Issuer communicated to the market and concerning accounting disclosure (including interim) of the Issuer corresponds to the underlying accounting records and entries; *(ii)* prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and *(iii)* jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point *(ii)*, during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the company financial statements and any companies included in the consolidation, assigning for this purpose the following powers:

- a) full access to all information considered relevant for the execution of duties, both at the company and at any parent companies;
- b) attend the meetings of the Board of Directors concerning matters within their scope;
- c) faculty for dialogue with all administrative and control boards of the company and the subsidiaries;
- d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
- e) involvement in the design of IT systems impacting the company financial statements;
- f) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Officer should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

The Executive Officer is provided with all the necessary powers and means for the execution of his duties.

The Executive Officer, together with the Chief Executive Officer, has the duty to provide instructions also to the subsidiaries belonging to the Group, to ensure adoption of all provisions, administrative and accounting procedures and all other acts and measures necessary for the correct drafting of the consolidated financial statements, in addition to all measures communicated by the Executive Officer in accordance with Law No. 262/05, which ensures the maximum reliability of information flows to the Executive Officer and concerning the preparation of the financial statements.

11.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination procedures put in place by the Issuer between the different parties involved in the internal control and risk management system guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

- the internal audit manager Ms. Barbara Dalla Piazza maintains periodic communication with the other company bodies and structures with oversight and monitoring functions upon the internal control and risk management system, such as the Executive Officer, the Supervisory Board as per Legislative Decree 231/01 and the independent audit firm, each within their respective scopes and responsibilities;
- the participation of the internal audit manager at the meetings of the Supervisory Board and at the meetings of the Control, Risks and Sustainability Committee enables the internal audit function to maintain adequate visibility of pressing company risks and managed by the Group and of issues emerging and brought to the attention of the various oversight and control boards;
- the Board of Statutory Auditors maintains periodic communication with the Board of Directors and with the Control, Risks and Sustainability Committee. In particular, the Chairman and at least one member of the Board of Statutory Auditors always attend the meetings of the Control, Risks and Sustainability Committee; the Board of Statutory Auditors also meets periodically (during its meetings or jointly with the Control, Risks and Sustainability Committee) with the internal audit department manager, the Supervisory Board and the Independent Auditors;
- the members of the Supervisory Board may attend, on invitation, the meetings of the Board of Directors and the Control, Risks and Sustainability Committee, reporting half-yearly on the activities undertaken;
- the independent audit firm attends, where invited, the meetings of the Control, Risks and Sustainability Committee so as to be constantly up to date on activities and on that decided by the Committee, and also for the purposes of reporting on planning and on the outcome of audit activities.

12. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

12.1 COMPOSITION AND APPOINTMENT

12.1.1 Composition and operation (as per Article 123-*bis*, paragraph 2, letter d) of the CFA)

The Board of Directors allocated these functions to the Control, Risks and Sustainability Committee.

The meetings of the Control, Risks and Sustainability Committee are coordinated by its Chairperson and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

The Chairman of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Committee meetings.

In 2020, the Control, Risks and Sustainability Committee did not meet as the Related Party Transactions Committee at any time. In 2021, the Control, Risks and Sustainability Committee met once on February 12 to serve as the Related Party Transactions Committee.

12.1.2 Functions assigned to the Control, Risks and Sustainability Committee with regards to Related Party Transactions and activities carried out

At the date of this Report, the Related Party Transactions Committee executed its functions in compliance with the Related Party Transactions Policy. In particular, the Related Party Transactions Committee, in the undertaking of its duties, reviewed the relationships and transactions with related parties which existed prior to the Merger and took note of these.

12.2 RELATED PARTY TRANSACTIONS POLICY

On September 12, 2017, the Board of Directors approved a draft of the Related Party Transactions policy, in accordance with Article 2391 *bis* of the Civil Code (with effect from the Effective Merger Date). In line with that established by the Related Parties Regulation, a draft of this policy, subsequent to the Effective Merger Date, was submitted to the Control and Risks Committee (in execution of its role as the Related Parties Committee), which issued a favourable opinion upon the policy, which was thereafter definitively approved by the Board of Directors on December 7, 2017.

On January 30, 2018, the Shareholders' Meeting also approved an amendment to the By-Laws which is functional to incorporate Consob indications regulating Related Party Transactions.

The Related Party Transactions Policy and the relative annexes applied by the Issuer are available on the Issuers' website at www.aquafil.com - Corporate Governance - Policies and Regulations section.

In view of the amendments to the Consob Regulation on Related Party Transactions pursuant to Consob Resolution No. 21624 of December 11, 2020, the Company will update its RPT Policy, if necessary, by June 30, 2021.

13. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors is comprised of 3 statutory auditors and 2 alternate auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of statutory auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations (which for the company, for 2020, is 2.5% of the share capital for such purposes referring to the share capital represented by listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the statutory auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (Statutory Auditors section, Alternate Auditors section) by progressive numbering and in any event with a number not exceeding the Board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender balance (male and female), provided that if the application of the criterion for the gender balance quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholders' agreement in accordance with Art. 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (Majority Slate) taken in the progressive order in which they appear in the slate, 2 (two) statutory auditors and one alternate auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third statutory auditor will be chosen (Minority Statutory Auditor), who will chair the Board of Statutory Auditors, and the second alternate auditor (Minority Alternate Auditor). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender balance law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of standing or alternate auditor from the most represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the statutory auditors and alternate auditors will be taken from this slate in accordance with the law and regulations in place, including in terms of gender balance (male and female).

The standing auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender balance, in cases where, for whatever reason, (i) a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, (ii) a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender balance quotas.

Finally, in the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures indicated in this article, the three standing auditors and the two alternate auditors will be appointed by the shareholders' meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender balance quota.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (EX ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

On January 30, 2018, the Shareholders' Meeting appointed the following members to the Board of Statutory Auditors of the company:

Office	Name	Date of Appointment
Chairman	Stefano Poggi Longostrevi	January 30, 2018
Statutory Auditor	Bettina Solimando	January 30, 2018
Statutory Auditor	Fabio Buttignon	January 30, 2018
Alternate Auditor	Marina Manna	January 30, 2018
Alternate Auditor	Davide Barbieri	January 30, 2018

Messrs. Bettina Solimando, Fabio Buttignon and Marina Manna came from the slate filed by the shareholder Aquafin Holding (obtaining 52,272,119 votes, equal to 92.41% of the voting share capital), while Messrs. Stefano Poggi Longostrevi and Davide Barbieri came from the slate filed jointly by a group of asset management companies and international and domestic institutional investors (obtaining 4,294,000 votes, equal to 7.59% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2020 Annual Accounts.

For further information on the slates filed for the appointment of the Board on January 30, 2018, reference should be made to the company website www.aquafil.com, in the Investor Relations – Shareholders' Meetings section, where the professional curriculum vitae of each statutory auditor is available.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date first appointment (*)	In office from	In office until	Slate (**)	Ind. Code	Attendance at Board meetings (***)	No. of other offices (****)
Chairman	Poggi Longostrevi Stefano	1965	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	2	X	100%	17
Standing Auditor	Solimando Bettina	1974	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	X	100%	19
Standing Auditor	Buttignon Fabio	1959	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	X	100%	11
Alternate Auditor	Manna Marina	1960	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	X	N/A	5
Alternate Auditor	Barbieri Davide	1984	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	2	X	N/A	8

Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Article 148 CFA): 2.5%

NOTE

- (*) The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.
- (**) This column indicates the slate from which each Statutory Auditor originated (“M”: majority slate; “m”: minority slate).
- (***) This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).
- (****) This column indicates the number of offices of Director or Statutory Auditor in accordance with Article 148-bis of the CFA and the relative enacting provisions in the Consob Issuers’ Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers’ Regulations.

Meetings of the Board of Statutory Auditors may be held with participants located in several places, near or far, linked by audio or video, provided that: (i) the Chairman of the meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting and witness and announce the results of the vote; (ii) the person taking the minutes is able to adequately observe the events of the meeting that is to be minuted; (iii) the participants are able to follow the discussion and vote simultaneously on the matters on the agenda, as well as view, receive or transmit documents. If all the above-mentioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting (subject to specific exceptions provided for by the law in connection with the Covid-19 pandemic).

In 2020, the Board of Statutory Auditors held 14 meetings (including individual meetings and meetings in joint session with the Control, Risks and Sustainability Committee), on January 14, February 14, March 4, March 13, March 25, April 29, May 13, June 9, July 16, August 25, August 28, October 7, November 13 and November 26. The average duration of meetings was approx. 1 hours and 50 minutes, with 100% attendance.

At the meeting of July 16, 2020 and March 5, 2021, the Board of Statutory Auditors assessed the correct application – by the Board of Directors – of the procedures to assess the independence of the Independent Directors according to the Self-Governance Code.

In addition, on March 5, 2021, the Board of Statutory Auditors also assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence of Directors by the Self-Governance Code, while also undertaking its self-assessment. The result of these assessments was communicated to the Board of Directors in the Board meeting of March 11, 2021 and announced to the market through the publishing of this Report, available on the company website www.aquafil.com.

The Board of Statutory Auditors reviewed and shall review the independence of the Audit Firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board of Statutory Auditors has constantly maintained normal coordination initiatives with the Control, Risks and Sustainability Committee, the Internal Audit Department and the Supervisory Board, as well as meeting periodically with the Independent Auditors. For information on the manner of the coordination reference should be made to paragraph 11.6.

Legislative Decree No. 39/2001 (“Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253) attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on (i) the financial

reporting process; **(ii)** the efficiency of the internal control system, internal audit, where applicable, and risk management; **(iii)** the audit of the separate and consolidated annual accounts; **(iv)** the independence of the Audit Firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the Company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the Directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairman of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the company, the Statutory Auditors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

In addition, during the first visit of the new members of the Board of Statutory Auditors to the company's headquarters, on February 5, 2018, the Statutory Auditors of Aquafil were able to make an extended visit to the Arco (Trento) production facility in order to gain adequate knowledge of the sector in which the Issuer operates, in addition to company and production dynamics. Subsequently, on November 14, 2019, the Statutory Auditors visited the Ljubljana (Slovenia) facility to improve their knowledge on the ECONYL® chemical regeneration process.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairman of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers this disclosure information a normal duty for the parties which hold the position of Statutory Auditor.

In accordance with the By-Laws, the Chief Executive Officer shall report adequately and promptly to the Board of Directors and the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

In anticipation of the renewal of the Board of Statutory Auditors that will take place with the Shareholders' Meeting of April 28, 2021, the Board of Statutory Auditors prepared - in compliance with the provisions of the "*Rules of Conduct for the Board of Statutory Auditors of Listed Companies*" of April 2018 (Standard Q.1.6) - a guidance document regarding the new Board of Statutory Auditors, for the benefit of Shareholders and Statutory Auditor candidates, of which information was provided at the Board of Directors' meeting of March 11, 2021.

15. RELATIONS WITH SHAREHOLDERS

The disclosure with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website www.aquafil.com in the "Investor Relations", "Corporate Governance" and "News&Media" sections and, where required by the applicable regulations, on the authorized storage mechanism eMarket STORAGE at www.emarketstorage.com.

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the above-mentioned website as soon as they have been approved by the relevant bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organization, Management and Control Model in accordance with Legislative Decree No. 231/2001 and subsequent and the Ethics Code.

In accordance with Application Criterion 9.C.1 of the Self-Governance Code, relations with institutional investors are managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

On June 18, 2020, the Board of Directors confirmed Mr. Karim Tonelli as Aquafil's Investor Relator (contact: investor.relations@aquafil.com), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

16. SHAREHOLDERS' MEETINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 2 OF LETTER C) OF THE CFA)

16.1 SHAREHOLDERS' MEETING CALL

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting takes place in single call.

For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted. Motions for the amendment of Articles 5.6, 5.8 and 8.3 of the By-Laws are passed with majorities of at least 70% of the total number of votes devolving to the issued shares.

As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the above-mentioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Article 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting will resolve by statutory majority, provided that, where the unrelated shareholders present at the Shareholders' Meeting account for at least 10% of the voting share capital, considering every ordinary share and every multi-vote share individually, without consideration of the right to multiple votes attributed to the special shares, the majority of unrelated shareholders voting at the Shareholders' Meeting do not vote against.

Pursuant to Article 9 of the by Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-ter of the CFA.

The Shareholders' Meeting may be called in Italy, even outside the municipality in which the registered office is located, or in other countries of the European Union, in Switzerland or in the United Kingdom.

The Shareholders' Meeting shall be called by publishing a notice on the company website, in addition to the other manners established by applicable law, and shall contain the information required by applicable law, also by reason of the subjects covered.

As per Article 126-bis of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-bis, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda.

In accordance with Article 2367 of the Civil Code, the Directors shall call without delay the Shareholders' Meeting where requested by shareholders collectively representing at least one-twentieth of the share capital.

Pursuant to Article 127-ter of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

16.2 RIGHT TO ATTEND SHAREHOLDERS' MEETINGS

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the Company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the Company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the Company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the agenda, in the terms and manner provided by law.

16.3 HOLDING OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, or in such absence or impediment or at the request of the Chairman himself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairman shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairman considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairman.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding - in a single notice - of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: (a) the Chairman of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; (b) the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; (c) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; (d) this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairman and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the Company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal.

As per Article 20 of the By-Laws, the net profit for the period, excluding the five per cent share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

* * *

The Shareholders' Meetings of the Issuer adopted Shareholder Meeting regulations, approved on December 23, 2016 by the Shareholders' Meeting of Space 3. This Shareholders' Meeting Regulation establishes, among other matters, that:

- the Chairman (the Chairman of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- in the discussion of such matters and proposals, the Chairman, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the formal notice of the meeting and may call for some or all of the matters on the agenda to be discussed together;
- the chairman conducts the discussion, giving the floor to directors, to statutory auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the shareholders' meeting until the time at which the chairman has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the Chairman has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The chairman establishes the manner in which contribution requests are made and the order in which they are heard. The Chairman and, on his invitation, those assisting him respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the company. Those who have requested the floor have the right to a brief reply;
- before voting commences, the chairman readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- the chairman shall decide the order in which the proposals on the individual matters on the agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

In 2020, one shareholders' meeting was held on June 18, 2020.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable *pro tempore* laws and regulations.

17. FURTHER CORPORATE GOVERNANCE ACTIVITIES

At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Since the end of the year no changes have been made to the corporate governance structure.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 20, 2020 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The considerations formulated in the letter of December 20, 2020 of the Chairman of the Corporate Governance Committee were brought to the attention of the Board of Directors and of the Committees.

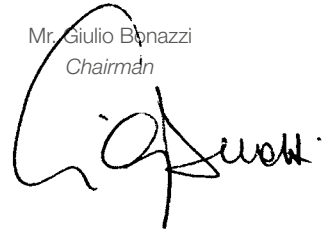
These were of particular interest to the Chairman of the Board of Directors and the Appointments and Remuneration Committee who, respectively, took account of these recommendations during the preparation of the self-assessment questionnaire and in the meeting of February 17, 2021, focusing in detail on the recommendations and invitations contained therein.

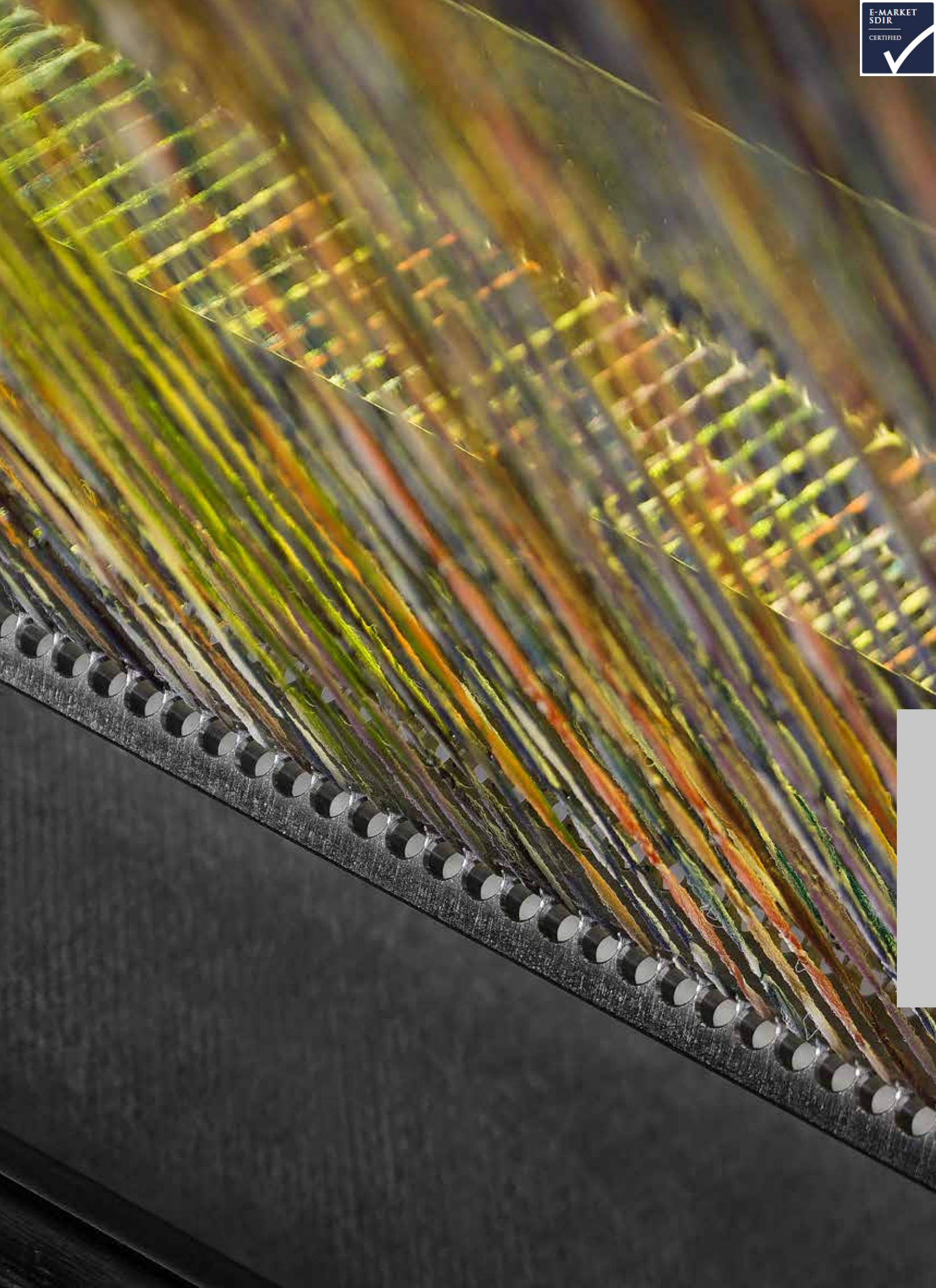
Arco (Trento), March 11, 2021

Aquafil S.p.A.

On behalf of the Board of Directors

Mr. Giulio Bonazzi
Chairman





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Statement of the Principal Financial Officer and the Delegated Bodies



Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE CONSOLIDATED YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2020/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMEUREMENTS AND ADDITIONS

1. The **undersigned** Adriano Vivaldi, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

- the adequacy in relation to the firm characteristics and
- the effective implementation

of the administrative - accountability procedures aimed at preparing the consolidated financial statements as of December 31st, 2020.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of December 31st, 2020:

- a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) match with the results of the accountability books and registrations;
- c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the group of companies included in the consolidation process.

Arco, March 11th, 2021

Managing Director
Adriano Vivaldi

Principal Financial Officer
Sergio Calliari

Board of Statutory Auditor's Report

Aquafil S.p.A.

Via Linfano, 9 - Arco (TN) - 38062 - Italy
Fiscal Code and Trento Company's Registration Office 09652170961

**BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A.
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429
OF THE CIVIL CODE
YEAR ENDED DECEMBER 31, 2020**

Dear Shareholders,

This Report was prepared by the Board of Statutory Auditors of **Aquafil S.p.A.** (hereinafter, also the "**Company**"), appointed on January 30, 2018 and whose mandate will conclude with the upcoming shareholders' meeting for the approval of the financial statements as of December 31, 2020.

Pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (hereinafter, the "**CFA**"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with particular regard to the provisions of the Civil Code, Arts. 148 et seq. of the CFA, Legislative Decree No. 39 of 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the Self-Governance Code of listed companies, as well as the standards of conduct for the boards of statutory auditors of publicly listed companies issued by the National Council of Accountants and Accounting Professionals are also taken into consideration.

This Report is being provided to the Shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting convened for April 28, 2021, to approve the Annual Financial Statements and the Consolidated Financial Statements as of December 31, 2020.

In accordance with the aforementioned standards of conduct, the Board of Statutory Auditors has provided the Shareholders with guidance on the renewal of the board and a summary of the qualifications and experience that have contributed most to the proper functioning of the board throughout its term, in line with the results of the annual self-assessment of the oversight body, while also noting the number of meetings held and the time and commitment required to carry out the board's duties.

It is issued by the Board of Statutory Auditors according to the terms of Article 154-ter of Legislative Decree No. 58 of February 24, 1998 and taking account of the Markets Regulation of Borsa Italiana (Article 2.2.3, paragraph 3, letter a) for STAR listed companies.

Activities carried out by the Board of Statutory Auditors in 2020 and up to the date of this report are presented below, also with reference to the requirements of Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent amendments.



1

1. Significant economic, financial and equity transactions.

The following are the significant economic, financial and equity transactions and events that occurred in financial year 2020.

The year was characterised by the COVID-19 pandemic, which brought about a global health emergency beginning in the first part of 2020 and a context of great uncertainty and economic crisis around the world.

The Company's business, deemed to be "essential" in accordance with government measures, continued operating in full compliance with applicable legislation and in a manner that safeguarded the health of all employees working at the Company's production facilities. In 2020, in response to declining revenues for the Group on the continents on which we have production facilities (i.e. Europe, Asia and the Americas), the various companies of the Group took advantage of social safety nets and other mechanisms made available by the various national governments.

In order to increase available liquidity, the Company obtained new medium and long-term financing for Euro 105 million in 2020, of which Euro 65 million backed by guarantees under the "Liquidity Decree" (Decree Law No. 23/2020) by way of SACE (Euro 60 million) and the Central Guarantee Fund (Euro 5 million). The Company also took advantage of moratoriums with all banks on loan payments due in 2020 for a total of Euro 42.1 million.

The acquisition of the business unit of the U.S. company A-1 Plan Recycling Inc. by the newco Aquafil Carpet Recycling LLC created by Aquafil USA Inc. was completed on December 15, 2020, at a price of USD 3.4 million.

For the other significant events in the year, reference should be made to the Directors' Report.

The Board of Statutory Auditors received information from Directors with due periodicity on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries. The Directors have reported these transactions in their Directors' Report, to which reference should be made, also as regards the nature of the transactions and their economic effects.

The Board of Statutory Auditors acquired adequate information on these transactions which has made it reasonably possible to believe that these transactions were compliant with the law, the By-Laws and the principles of correct administration and are not imprudent, risky or inconsistent with the resolutions passed by the Shareholders' meeting or, in any case, such as to compromise the integrity of corporate assets.

With regard to the COVID-19 health emergency, the Board of Statutory Auditors examined the information contained in the Directors' Report concerning the steps taken to ensure business continuity and to comply with health protocols aimed at ensuring the health and safety of all employees and other collaborators, as well as the information concerning the macroeconomic landscape and the steps taken in response to such and to reinforce liquidity. In their Directors' Report, in accordance with Consob Clarification No. 1/21 of February 16, 2021, the Board of Directors provided an analysis of the steps taken and measures adopted and verified that there was no significant impact in terms of the impairment of receivables or other assets and that there are no factors of uncertainty concerning either the recoverability of assets or the assumption of going concern.

2. Third party, intragroup or related party atypical and/or unusual transactions.

The Board of Statutory Auditors has not come across or received information from the Board of Directors, the Independent Audit Firm or the *pro tempore* Internal Audit Manager concerning the existence of atypical and/or unusual transactions undertaken with third parties, related parties or intragroup, as defined by the CONSOB Communication DEM/6064293 of July 28, 2006.

In the notes to the financial statements, Directors have given an account of ordinary transactions carried out during the year with Group companies and related parties, to which reference is made, also as regards the nature of the transactions and their economic effects.

Their examination revealed no critical issues with regard to adequacy, congruity and compliance with the company's interests.

The Board of Statutory Auditors has verified the effective implementation and the practical functioning of the procedure for transactions with related parties adopted by the company, including periodic information from the Board of Directors in the event such transactions are carried out. This procedure, which may be found on the Company's website, provides for exemptions – under certain conditions – for resolutions concerning the remuneration of directors and senior executives.

Transactions involving Directors' interests or with other related parties were subject to transparency procedures envisaged by applicable legislation. In this regard, it should be noted that on February 17, 2021, following the resignation of the Executive Director, Fabrizio Calenti, effective as of June 30, 2021, with the specific intent to safeguard company value and business continuity and having received the favourable opinion of the Control, Risks & Sustainability Committee serving as the Related Parties Committee concerning this minor transaction, the Company defined a remunerated agreement with Fabrizio Calenti with a 4-year non-compete clause.

3. Observations and proposals on the findings and requests for disclosure contained in the independent audit firm's report.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 26, 2021 issued its reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation EC 537/2014, in which the independent audit firm declared in its judgment that:

- *the separate and consolidated financial statements as of December 31, 2020 provide a true and fair view of the equity and financial situation of the company and of the Group, of the result for the year and of the cash flows for the year ending at that date, in compliance with International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;*
- *the directors' report and certain specific information contained in the corporate governance and ownership structure report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the separate and consolidated financial statements of the Company and of the Group at December 31, 2020 and are drawn up in accordance with law;*



- with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.

The auditors' report of PricewaterhouseCoopers S.p.A. on the financial statements at December 31, 2020, does not contain any "Request for information".

The independent audit firm PricewaterhouseCoopers S.p.A. on March 26, 2021, in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

4. Statements pursuant to Article 2408 of the Civil Code and submission of petitions. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statements or matters reported were received from Shareholders during the year 2020. No petitions were submitted to the Board of Statutory Auditors during the year 2020.

In this regard, we highlight that the company has adopted a "whistleblowing" procedure, providing for the setting up of appropriate disclosure channels to ensure the receipt, analysis and handling of reports, regarding internal control, corporate disclosure, administrative responsibility of the company, fraud or other matters, sent by employees, members of the corporate boards or third parties and also confidentially or anonymously.

5. Conferment of appointments to the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence of the following fees accruing to the independent audit firm PricewaterhouseCoopers S.p.A. and the companies belonging to its network for services in 2020 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2020
PwC SpA	Aquafil SpA	Audit separate financial statements	127,188
PwC SpA	Aquafil SpA	Audit consolidated financial statements	40,047
PwC SpA	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	24,900
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	131,520
PwC SpA	Aquafil SpA	Limited Audit of the 2020 consolidated half-year report	29,100
PwC SpA	Italian subsidiary companies	Limited Audit 2020 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2020 half-year Group Reporting Package	70,150
Total Audit services provided in 2020 to the Aquafil Group by Worldwide Audit firm			433,805
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report	26,200
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2019 research and development costs for the purposes of the tax	4,800

PwC (1)	Foreign subsidiaries	Other "audit related" services	6,720
Total other audit services provided in 2020 to Aquafil Group by Audit Firm worldwide			37,720
PwC (1)	Foreign subsidiaries	Other permitted support services	2,000
Total non-audit services provided in 2020 to companies of the Aquafil Group by entities belonging to PwC network			2,000

(1) Other companies belonging to the same PwC SpA network

Pursuant to the provisions of Article 6, paragraph 2; letter a) of EU Regulation 537/2014, PricewaterhouseCoopers S.p.A. has provided the Board of Statutory Auditors with a statement that, up to this date, it has taken account of the activities performed, has maintained its position of independence and objectivity in respect of the Company and of the Aquafil Group, and has provided timely communication of non-audit services to the company by PricewaterhouseCoopers S.p.A. and entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PricewaterhouseCoopers S.p.A. on these appointments.

6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.

In 2020, in accordance with Article 2389, paragraph 3, of the Civil Code, the Board of Statutory Auditors issued a favourable opinion concerning the remuneration of directors with special powers following the appointment of the Board of Directors for the 2020-2022 term and the remuneration approved by the Board of Directors on August 28, 2020.

In 2020, the Board of Statutory Auditors also:

- examined and positively assessed, together with the Control and Risks Committee, the 2020 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 11, 2020;
- examined and positively assessed the Remuneration Policy for the year 2020 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 11, 2020 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 11, 2020, and verified that this contains the information required by Article 123-bis of the CFA.

The Board of Statutory Auditors also verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its independent members during the meetings of the Board of Statutory Auditors of July 16, 2020, and March 5, 2021.

In 2021 and until the date of this report, the Board of Statutory Auditors:

- examined and positively assessed, together with the Control, Risks & Sustainability Committee, the 2021 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 11, 2021;
- examined and positively assessed the Remuneration Policy for the year 2021 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 11, 2021, and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999, while also taking account of the changes made in application of Consob Resolution No. 21623 of December 10, 2020, in accordance with Directive (EU) 2017/828;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 11, 2021, and verified that this contains the information required by Article 123-bis of the CFA.

Following the supervisory activities carried out in the year and outlined above, which did not indicate any omissions or reportable events, the Board of Statutory Auditors does not indicate any observations to be reported to the Shareholders' Meeting in accordance with Article 153 of the CFA.

7. Attendance of the meetings of the corporate bodies

As the reader will be aware, 2020 was characterised by great uncertainty brought about by the origin and progression of the COVID-19 pandemic. Government recommendations and measures issued beginning in March and continuing throughout the year, including the declaration of the state of emergency, called for particularly stringent measures to limit the spread of the pandemic throughout the country, such as the total or partial lockdowns and other measures of "social distancing".

Within this landscape, the Company's operations were not interrupted, with office staff working remotely wherever possible.

The work of the Board of Statutory Auditors also continued remotely beyond March by acquiring information digitally and holding meetings via video and audio conferencing (with the exception of the summer months, when it was possible to meet in person in the Company's offices).

Given the Company's reliability and timeliness in ensuring meetings could be properly held and information could be exchanged adequately, the Board of Statutory Auditors believes that working remotely in this way did not diminish or otherwise compromise the reliability of the information received or the efficacy of the work conducted.

In 2020, the Board of Statutory Auditors attended all 7 sessions of the Board of Directors' meetings of Aquafil, during which it was informed of activities performed and significant transactions made by the Company and its subsidiaries. In this context, the Board of Statutory Auditors has received the periodic disclosure on powers conferred from the Chief Executive Officer.

The Board of Statutory Auditors in 2020 held 14 meetings (including meetings of the Board alone and those together with the Control, Risks & Sustainability Committee), during which



frequent exchanges of information with the independent audit firm also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or Shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

With regards to the meetings of the internal board committees, in 2020 the Board of Statutory Auditors, through its Chairperson and at least one other member, attended 9 Control, Risks & Sustainability Committee meetings, and 6 Appointments and Remuneration Committee meetings, acquiring knowledge on the work carried out by these Committees during the year. In this regard, it should be noted that, on August 28, 2020, the Board of Directors integrated issues of sustainability into the Control and Risks Committee and approved new rules for the committee itself.

The Board of Statutory Auditors also attended the Shareholders' Meeting of June 18, 2020.

The Board of Statutory Auditors in 2021 has thus far held 5 meetings (between meetings of the Board alone and together with the Control, Risks & Sustainability Committee). The Board of Statutory Auditors also attended 2 Board of Directors meetings and, through its Chairperson and at least one other member, 3 Control, Risks & Sustainability Committee meetings, and 3 meetings of the Appointments and Remuneration Committee.

8. Observations on compliance with the principles of correct administration.

Following its supervisory activities, the Board of Statutory Auditors has no observations to make concerning compliance with the principles of correct administration and has confirmed that directors of Aquafil S.p.A. are aware of the risk involved and the effects of transactions made.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the Company, compatible with the resources and capital available and adequately supported by disclosure, documentation, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors gathered ongoing information on the organisational structure of the Company and on any changes, including through meetings with the executive director responsible for coordinating the organisation and with the heads of a number of key corporate functions (i.e. human resources, legal and corporate affairs, administration, finance and control, information technology, and investor relations).

With regard to the Internal Audits function, the 2020 audit plan was carried out and completed as scheduled, taking account of the changes made during the year in response to the COVID-19 pandemic. The Board of Statutory Auditors also notes that the company continued to strengthen its internal structure, currently comprising the Internal Audit Manager and a full-time support staff member, maintaining also the assistance of outside consultants, who mainly provide operating support.

With regards to the strategically important subsidiaries, as identified by the Board of Directors with motion of February 14, 2020 and with regards to the provisions of Article 15 of the



Consob Markets Regulation (motion No. 20249 of December 28, 2017), concerning significant subsidiaries set up and governed according to the laws of non-European Union member States, the Board of Statutory Auditors indicates that the Aquafil Group companies applying this provision are included among the entities for the purposes of Internal Control on Financial disclosure, with regards to which no significant deficiencies are reported.

In light of what has been confirmed, the Board of Statutory Auditors considers that the company's organisational structure, procedures, competences and responsibilities are suitable for the size of the company and the type of activity performed.

10. Suitability of the Internal Control and Risks Management System.

The Board of Statutory Auditors has monitored the suitability of Aquafil S.p.A.'s Internal Control and Risks Management System through:

- a. the gathering of information, including during meetings of the Control, Risks & Sustainability Committee, as well as through meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;
- b. regular participation in the work of the Control, Risks & Sustainability Committee set up in accordance with the Self-Governance Code for listed companies and, where required, the joint collaboration of such with the Committee;
- c. the review of the Annual Report of the Control, Risks & Sustainability Committee issued on March 11, 2021;
- d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the 2020 Audit Plan, in addition to the follow-ups of the Audit Plan of the preceding year;
- e. the gathering of information on the overall risk assessment completed by the Internal Audits function at the end of 2020 with the support of an external advisory firm, as presented to the Control, Risks & Sustainability Committee on February 12, 2021;
- f. the review of the Internal Audit Manager's annual report together with the Internal Audit Manager's positive assessment of the suitability of the company's internal control and risk management system with respect to the company's characteristics and risk profile assumed.

In this regard, the Board of Statutory Auditors agreed with the favourable assessment of the Control, Risks & Sustainability Committee on: (i) the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; and (ii) the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

The Board of Statutory Auditors in addition:

- confirmed that the company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines



drawn up by Trade Associations, as last updated and approved by the Board of Directors on November 13, 2020, in order to take account of the new crimes included among "tax crimes";

- reviewed the periodic reports at June 30, 2020 and December 31, 2020 of the Supervisory Body as per Legislative Decree 231/2001, which summarised the activities carried out during the year, and periodically met with its members;
- met with greater frequency with the executive director responsible for the system of risk management and internal controls, including in relation to the response to the COVID-19 pandemic, in joint session with the Control, Risks & Sustainability Committee and during meetings of the Board of Statutory Auditors;
- met the representatives of the Board of Statutory Auditors of the only Italian subsidiary that is part of the Aquafil Group;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

In conclusion, in the process of performing the above activities, the Board of Statutory Auditors:

- a) did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;
- b) took note of the information provided by the Chairman of the Supervisory Body and of the above-mentioned reports concluding that there were no reprehensible facts or violations of the Model in the year 2020;
- c) took note of the positive assessment delivered by the Board of Directors on the suitability and effective functioning of the Internal Control and Risk Management System for the financial year 2020.

11. Suitability of the administrative and accounting system and its reliability.

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/05 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

- a) the acquisition of information from the Executive Officer for Financial Reporting and managers of other business functions, including during participation in the work of the Control, Risks & Sustainability Committee;
- b) the acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. for the preparation of the Group's Annual Financial Report as of 31/12/2020;
- c) the review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/05 and on the outcome of the related tests performed;





d) the meetings with the Independent Audit Firm and the results of the work it performed.

The Board of Statutory Auditors also noted that the impairment test applied by the company in preparing the financial statements at December 31, 2020 was that approved by the Board of Directors on February 15, 2019, following the favourable opinion issued by the Control and Risks Committee, a procedure which was applied for the preceding financial statements. The Board of Statutory Auditors oversaw the results of the impairment tests conducted by management, which, for the 2020 financial report, resulted in an impairment loss for the financial receivable from the subsidiary Aquafil UK for Euro 2.1 million along with other minor impairment losses on the holdings in the Turkish and Slovakian subsidiaries.

While performing the above activities, the Board of Statutory Auditors did not find any critical situations or facts suggesting that Aquafil S.p.A.'s administrative and accounting system for the year 2020 was inadequate and/or unreliable.

12. Suitability of instructions imparted to subsidiaries.

The Board of Statutory Auditors considers the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of the CFA suitable to fulfil the communication requirements envisaged by law.

13. Any relevant aspects relating to meetings with the auditors.

The Board of Statutory Auditors met periodically with the independent audit firm to:

- a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 150, paragraph 3 of the CFA, on the company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;
- b) for the acquisition of information on the planning of activities of the independent audit firm concerning the audit on the Annual Financial Report at 31.12.2020, in addition to the separate financial statements of Aquafil S.p.A. and the consolidated financial statements of the Aquafil Group;
- c) for the review and assessment of the compilation process, including the evaluation of the correct application of accounting principles and their homogeneity, and the Aquafil Group's Annual Financial Report as of 31/12/2020, together with the results of the audit activities and evaluation of these documents.

The Board of Statutory Auditors met more frequently than in the past with the independent audit firm, having held 7 meetings in 2020 (of which 5 jointly with the CRSC) and 3 in 2021 (of which 2 jointly with the CRSC) as of the date of this report, in order to examine the effects of the COVID-19 health emergency both throughout the year and for methodological purposes related to the annual financial report.

In addition to what is reported in paragraph 3, the Board of Statutory Auditors also:

- a) received the independent audit firm's report, pursuant to Art. 11, paragraph 2 of EU Regulation No. 537/2014, also highlighting the fundamental issues that emerged during the audit and any significant shortcomings detected in the internal control system on the financial reporting process, in which no significant shortcomings were found;



- b) noted the statement concerning the independence of PricewaterhouseCoopers S.p.A., as per Article 6 of Regulation (EC) No. 537/2014, annexed to the additional report, which does not indicate any situations which may compromise its independence;
- c) discussed with the independent audit firm, pursuant to the provisions of Art. 6, paragraph 2(b) of EU Regulation No. 537/2014, the risks associated with the firm's independence and the measures adopted by it to limit these risks.

In particular, the Board of Statutory Auditors, with regards to the activities of the independent audit firm, noted that the methodologies and planning for the audit work, the audit approach utilised for the various significant areas of the financial statements and regarding corporate risks and the planned response by the auditor with the profiles, structures and risk, of the company and of the Group.

14. Adherence to the Self-Governance Code of the Governance Committee for listed companies.

The Board of Statutory Auditors has verified that the Company adheres to the Self-Governance Code for listed companies approved in March 2006 and last amended in July 2018 (hereinafter, the "Code"). On February 17, 2021, the Company's Board of Directors approved the new Corporate Governance Code in effect since January 1, 2021.

Pursuant to Art. 149, paragraph 1(c-bis) of the CFA, it therefore monitored the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- the correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements, noting also that a meeting of only the Independent Directors was held;
- the manner by which the self-assessment activities of the Board of Directors and its Internal Committee were undertaken, following which guidelines and recommendations emerged regarding the expertise considered beneficial and regarding the composition of the newly appointed Board of Directors;
- the Corporate Governance structure of the company, examining in addition the Annual Corporate Governance and Ownership Structure Report.

The induction of directors and statutory auditors continued in 2020 with a meeting concerning the new Corporate Governance Code. In February 2021, an induction meeting was also held regarding the Company's business and the competitive landscape.

The Board of Statutory Auditors oversaw the activities carried out by the Control, Risks & Sustainability Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the Chairperson of the Board of Statutory Auditors and at least one other member at all meetings of these Committees.

The Board of Statutory Auditors also noted that the recommendations of the Corporate Governance Code contained in the letter of December 22, 2020, addressed to the Chairperson of the Committee, Patrizia Grieco, to the Chairpersons of the Boards of Directors of listed





Italian companies and, on their behalf, to the relative Chief Executive Officers and Chairpersons of the Control bodies, were brought to the attention of the Board of Directors and the Appointments and Remuneration Committee, for the undertaking of the necessary decisions in this regard.

In addition to the above, the Board of Statutory Auditors:

- on March 5, 2021, concluded the self-assessment of the Board, confirming the consistency of its composition with the applicable legal provisions, in addition to its adequacy in terms of diversity of age and training and professional experience of its members and compliance with the regulatory provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 11, 2021, which communicated such to the Market in the press release issued on the same date and in the Annual Corporate Governance and Ownership Structure Report for 2020;
- within the self-assessment process of the Board of Statutory Auditors, it positively verified the compliance of independence criteria for each of its members, as required by the Self-Governance Code. The results of the self-assessment checks of the Board of Statutory Auditors are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2020.

15. Consolidated Non-Financial Report

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of December 30, 2016, and of Consob Regulation No. 20267 of January 18, 2018, regarding the consolidated non-financial report prepared by the Company, which describes the Sustainable Operating Model of the Aquafil Group.

The Board of Statutory Auditors notes that the Company, as Parent Company, has prepared the consolidated non-financial report in accordance with Articles 3 and 4 of Legislative Decree No. 254/2016 and with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, which the Company's directors have adopted as described in the "Methodological Note" section of the non-financial report.

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of 2016 and verified that the non-financial report allows for an understanding of Group business, trends, performance, and impact and describes the environmental and social issues concerning personnel, the observance of human rights, and the fight against corruption, as well as the characteristics of the enterprise and the activities performed, in accordance with Article 3 of Legislative Decree No. 254 of 2016.

The Board of Statutory Auditors has also verified that the Company, when drafting the non-financial report, has taken account of the impact of the pandemic on non-financial issues and the information provided in the ESMA document of October 28, 2020, and Consob Clarification No. 1/21 of February 16, 2021.

The Board of Statutory Auditors has also verified the Board of Directors approval on March 11, 2021 of the consolidated non-financial report and the release, on March 26, 2021, by the independent Audit firm of its related report, which attests the conformity of the information



provided in the non-financial report in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and with the GRI standards.

Final evaluations on the supervisory activity performed and proposed to the Shareholders' Meeting

Having regard to the above and having:

- monitored the observance of the law and the By-Laws, compliance with the principles of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the company and its practical functioning;
- monitored compliance with disclosure obligations on insider information;
- monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- monitored compliance with legal provisions concerning the formation and preparation of the company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2020 (which also contains information on significant events occurring after December 31, 2020), including by means of direct audits and information gathered by the independent audit firm;
- monitored that, in compliance with Regulation (EC) No. 1606/2002 and Legislative Decree No. 38/2005, Aquafil S.p.A.'s financial statements at December 31, 2020, and the Group consolidated financial statement were drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission and supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);
- overseen observance of the preparation and presentation to the Shareholders of the separate and consolidated financial reports and acknowledged that the Company has, in accordance with Article 106 of Decree Law No. 18/2020, established that the meeting of Shareholders is to take place solely by way of designated agent in accordance with Article 135-undecies of the CFA;
- overseen observance of Legislative Decree 254/2016 and Consob Regulation No. 20267/2018 concerning the consolidated non-financial report contained within the consolidated financial report.

Therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors of Aquafil S.p.A requests you to approve the financial statements as of December 31, 2020, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.



The mandate granted to the Board of Statutory Auditors comes to an end with the Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2020. We thank you, the Shareholders, for the trust you have placed in us and invite you to take the appropriate steps in this regard.

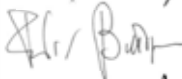
Milan, Padua, Verona, March 26, 2021

The Board of Statutory Auditors

Mr. Stefano Poggi Longostrevi – Chairman



Mr. Fabio Buttignon- Statutory Auditor



Ms. Bettina Solimando – Statutory Auditor



Report on the Audit of the Consolidated Financial Statement



Independent auditor's report

*in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014*

Aquafil SpA

***Consolidated Financial Statements
as of 31 dicembre 2020***



Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Aquafil SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenue recognition

Paragraph 2.4 “Accounting standards and valuation methods” item “Revenues and costs”

At 31 December 2020, revenues of the Aquafil Group amounted to Euro 436.602 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 (“Revenue from contracts with customers”) are met.

As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.

The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale.

The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period.

Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, in relation to a sample of transactions deemed representative in the context of each individual consolidated entity, procedures were carried out on the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence.

In addition, we verified the reconciliation of the intercompany balances and their being correctly written off in the consolidated financial statements.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Aquafil SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98

Management of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Aquafil Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the consolidated financial statements of the Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Aquafil Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016

Management of Aquafil SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.

We have verified that management approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 26 March 2021

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Independent Auditor's Report on the Non Financial Report



AQUAFIL SPA

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED
NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND
ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY
2018**

YEAR ENDED 31 DECEMBER 2020



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the board of directors of Aquafil SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Aquafil SpA and its subsidiaries (the "Group") for the year ended 31st December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the Directors' Report and approved by the board of directors on 11th March 2021 (the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2020, from GRI – Global Reporting Initiative (hereafter the "GRI Standards"), identified by them as the reporting standard.

The directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted.
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;



3. Comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements.
4. Understanding of the following matters:
 - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
In detail, we held meetings and interviews with the management of Aquafil SpA and with the personnel of Aquafil Synthetic Fibres and Polymers Co. Ltd. (manufacturing plant of Jiaxing - China), and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies and the related plants, Aquafil SpA (manufacturing plant of Arco di Trento) and Aquafil Synthetic Fibres and Polymers Co. Ltd. (manufacturing plant of Jiaxing - China), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Aquafil Group for the year ended as of 31st December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Trento, 26th March 2021

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

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